

What is a title?

When you purchase a home, you are really purchasing the title to the property - which is the right to occupy and use the space. That title may be contested based upon past rights and claims asserted by others. These types of claims can infringe upon your purchase of the property or cause you to lose money.

Why do you need title insurance?

A home is usually the largest single investment any of us will ever make. Title insurance protects against loss of value from hazards and defects that may exist in the title. These hazards include fraud, forged signatures on deeds, unknown property heirs, liens, and documentation errors. If you were uninsured and your right to title is challenged, you could lose significant money defending yourself or you could lose your home. Your mortgage lender will require a loan policy of title insurance to protect their interest in the value of your property and a homeowner should purchase an owner's policy for the very same reason.

How does title insurance protect against hazards?

An owner's policy of title insurance requires the insurance provider to pay for defending against any lawsuit attacking your title as insured, and will either clear up title problems or pay the insured's losses. For a one-time premium generally paid at closing, an owner's title insurance policy remains in effect as long as you, or your heirs, retain an interest in the property.

What is a closing?

Closing, which is also known as "settlement" or "escrow," is the event where the title to a property is transferred from seller to buyer. Closing is typically held in an office, such as that of an attorney, title agent or title insurance company, and involves the completion of all the necessary paperwork to finalize the agreement between buyer and seller. In addition, all financial issues are settled at closing - closing costs - and once the title is successfully transferred, the necessary documents are prepared, signed, and filed with local authorities.

What are closing costs?

Closing costs are all costs required to close the real estate transaction. They can include (but are not limited to) surveying fees, property taxes, title insurance, attorney fees, agent fees, points, loan origination fees, primary mortgage insurance (PMI), and the balance of your down payment. Prior to closing, you should review your final closing statement or HUD-1 Statement (whichever is in use) to ensure that all the calculations are correct and that you have been given all the credit for deposits and other agreed upon buyer and seller credits. Also recheck all lender, title, and escrow fees to make sure they are accurate.

Why does your lender require title insurance during refinancing?

From the lender's standpoint, a refinanced mortgage is actually a brand new mortgage - complete with the same risks that may have been present originally. During the refinance process, your original mortgage is paid off - and your existing lender's title insurance policy is rendered null and void. However, if you purchased an owner's policy of title insurance at your original closing - that policy will remain in effect as long as you or your heirs own the property.