



# Understanding Title Insurance

The title industry and title insurance in brief



Prior to the development of the title industry in the late 1800s, a homebuyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, homebuyers look primarily to title insurance to provide this protection. Title Insurance companies are regulated by state statute. They are required to post financial guarantees to ensure that any claims will be paid in a timely fashion. They also must maintain their own "title plants" which house duplicates of recorded deeds, mortgages, plats, and other pertinent county property records.

## WHAT IS TITLE INSURANCE?

- ▶ Title insurance provides coverage for certain losses due to defects in the title that, for the most part, occurred prior to your ownership. Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

## WHY IS TITLE INSURANCE NEEDED?

- ▶ Title insurance insures Buyers against the risk that they did not acquire marketable title from the Seller. It is primarily designed to reduce risk or loss caused by defects in title from the past. A Loan Policy of Title Insurance protects the interest of the mortgage lender, while an Owner's Policy protects the equity of you, the Buyer, for as long as you or your heirs (in certain policies) own the real property.

## WHEN IS THE PREMIUM DUE?

- ▶ You pay for your Owner's title insurance policy only once, at the close of escrow. Who pays for the Owner's Policy and Loan Policy varies depending on local customs.



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