

*Commonwealth Title answers...*

## **"Questions About Title Insurance"**

Buying a home is, for many of us, the biggest single investment we'll ever make. Knowing this, most homeowners provide for the security and safekeeping of their homes by insuring them against hazards such as fire, theft and weather damage.

But there is another hazard that can pose an even greater risk to homeownership: Defects in the title to your property can cause you to lose part or all of the investment in your home.

Fortunately, there is a way to protect your investment from these title defects. It comes in the form of title insurance.

What is title insurance and why do you need it? In the following pages, we've listed the answers to these and other commonly asked questions.

We suggest that you read through this information carefully. It will help you to better understand the value of title insurance in protecting your homeownership. And the general real estate information will help make the home-buying process a smoother one.

### ***What is a title?***

A title is the foundation of property ownership. It is the owner's right to possess and use the property.

### ***Why is transferring the title to real estate different from transferring the title to other items, such as a car?***

Because land is permanent and can have many owners over the years, various rights in land may have been acquired by others (such as mineral, air or utility rights) by the time you come into possession of it, even if the land has never before been built upon. So in order to transfer a clear title to a piece of land, it is first necessary to determine whether any rights are outstanding.

### ***What is a title search?***

A title search is a detailed examination of the historical records concerning a property. These records include deeds, court records, property and name indexes, and many other documents. The purpose of the search is to verify the seller's right to transfer ownership, and to discover any claims, defects and other rights or burdens on the property.

***What kinds of problems can a title search reveal?***

A title search can show a number of title defects and liens, as well as other encumbrances and restrictions. Among these are unpaid taxes, unsatisfied mortgages, judgments against the seller and restrictions limiting the use of the land.

***Are there any problems that a title search cannot reveal?***

Yes. There are some "hidden hazards" that even the most diligent title search may never reveal. For instance, the previous owner could have incorrectly stated his marital status, resulting in a possible claim by his legal spouse. Other "hidden hazards" include fraud and forgery, defective deeds, mental incompetence, confusion due to similar or identical names and clerical errors in the records. These defects can arise after you've purchased your home and can jeopardize your right to ownership.

***What is title insurance?***

Title insurance is your policy of protection against loss if any of these problems - even a "hidden hazard" - results in a claim against your ownership.

***How much could I lose if a claim is filed against my property?***

That depends on the claim. In an extreme case, you could lose your entire home and property - and still be liable to pay off the balance of your mortgage. Most claims aren't that dramatic, but even the smallest claim can cost you time, money and aggravation, and you may have to pay costs for a legal defense.

***How does title insurance protect my investment if a claim should arise?***

If a claim is made against your property, title insurance will, in accordance with the terms of your policy, assure you of a legal defense - and pay all court costs and related fees. Also, if the claim proves valid, you will be reimbursed for your actual loss up to the face amount of the policy.

***The owner of the property has a deed. Isn't that proof of ownership?***

Not necessarily. A deed is just a document by which the right of ownership in land is transferred, whatever that right may be. It's not proof of ownership, and it doesn't do away with rights others may have in the property. In addition, a deed won't show you liens or claims that may be outstanding against the title.

***Wouldn't an abstract show property limitations and restrictions?***

Maybe - and maybe not. An abstract is a history of the property title as revealed by the public records. Abstracts may contain errors and do not disclose "hidden hazards" that can threaten your property title if you do not have a title insurance policy.

***What about an attorney's opinion?***

An attorney's opinion is based on a search of the public records. So, once again, even the most exhaustive search of these records may not reveal everything. Unlike a title insurance company, an attorney is not liable if you should suffer loss because of "hidden hazards" in the title.

***The owner of the property I want to purchase has lived in the home for only six months. He had a title search done six months ago. Why do I need another one?***

Because the owner could, in a very short time, do many things to encumber the title. For example, he could grant easements or construct improvements that encroach on adjacent property. He could get married or divorce, or have a lien filed against the property. It is necessary to conduct an up-to-date title search to uncover any such problems.

***If the builder of my home already has title insurance on the property, why do I need it again when I purchase the land from him?***

A title policy insuring the builder does not protect you. Also, a great many things could have happened to the land since the builder's policy was issued. Liens, judgments and unpaid taxes for which prior owners were responsible may be disclosed after you purchase the property - causing you aggravation and costing you money.

***Are there different types of title insurance policies?***

Yes. Basically there are two different types of policies - a loan policy and an owner's policy. The loan policy protects the lender's interest in the property as security for the outstanding balance under the buyer's mortgage. The owner's policy safeguards the buyer's investment or equity in the property up to the face amount of the policy. (Title insurers in many states offer increased policy coverage through inflation endorsements to cover increases in value due to inflation.)

***How much does title insurance cost?***

Probably a lot less than you think. Charges vary in different sections of the country, but generally the cost of title insurance (including search, examination and related services) amounts to about one percent, or less, of the cost of the property. And unlike other insurance premiums, which must be paid annually, a title insurance premium is paid one time only, usually at settlement.

***How long does my coverage last?***

For as long as you or your heirs retain an interest in the property and, in some cases, even beyond.

***Where can I get title insurance?***

From any licensed title insurance company or its representatives operating in your state. When choosing a title insurer, it is important that you look for a company with expertise and experience, as well as the

financial strength to protect you should a claim arise. Your broker or attorney can recommend such a company.

***Who is Commonwealth Land Title Insurance Company?***

Headquartered in Richmond, [VA] Commonwealth Land Title Insurance Company founded the title insurance industry in 1876 and is today one of the largest title insurance underwriters in the United States. With a network of more than 4,000 policy-issuing locations nationwide, Commonwealth has the financial capabilities to safeguard your investment, and the people and locations to give you the expert, dependable service you deserve.