

# TOP 15

## FREQUENTLY ASKED QUESTIONS ABOUT OWNER'S TITLE INSURANCE



**What is it? Why do I Need it?  
What are My Choices?**

For many of us, buying a home is the biggest single investment we'll ever make. Knowing this, we insure our home against fire, theft and water damage. Yet, another hazard poses an even greater risk to homeownership. Defects in a property title can cause you to lose part or all of the investment in your home. Owner's Title Insurance can protect your home from many of these risks. To help you better understand the value of an Owner's Title Insurance policy, we've listed answers to questions many homebuyers ask.

### **Q. What is title?**

Title is the right to property ownership. It includes the right to possess, mortgage, lease and sell the property.

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

Land is permanent and can have many owners over the years. Various rights in land may have been acquired by others by the time you come into possession of it (such as mineral, air or utility rights), even if the land has never been built upon. To transfer title to land, you must first determine whether any rights are outstanding.

### **Q. 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 use of the land. Some restrictions may actually improve the value of property, such as neighborhood restrictions that promote a quality environment.

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

Yes. There can be "hidden hazards" even the most diligent title search may not reveal. For instance, the previous owner could have incorrectly stated his marital status, resulting in a possible claim by his legal spouse. Or a seller who signed off on a sale was later proved mentally incompetent. Other hidden hazards include fraud, forgery, defective deeds, clerical errors in the records, and confusion due to similar or identical names. These defects can arise after you've purchased your home and jeopardize your right to ownership.

### **Q. What is title insurance?**

Title insurance is your policy of protection against loss if any of the problems covered by your policy – even a hidden hazard – results in a claim against your ownership.

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

If a covered claim is made against your property, title insurance will, in accordance with the terms of your policy, assure you protection against your actual loss not to exceed the face amount of the policy. This protection may be in the form of providing you with legal counsel at the company's expense or payment of loss to you or a third party as appropriate.

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

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

### **Q. Would an abstract or an attorney's opinion show property limitations or restrictions?**

Maybe – and maybe not. Abstracts and attorney's opinions present a history of the property title as revealed by the public records. They may contain errors and do not disclose hidden hazards that can threaten your property title if you do not have a title insurance policy. Unlike a title insurance company, attorneys and abstractors are not liable if you suffer a loss because of hidden hazards in the title.

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

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

**Q. 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 divorced, or have a lien filed against him or the property. It is necessary to conduct an up-to-date title search to uncover any such problems.

**Q. 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.



**Q. Are there different types of title insurance?**

Yes. Basically there are two different types: Lender's Title Insurance – sometimes called a Loan Policy – and Owner's Title Insurance. A Lender's Title Insurance policy protects that Lender's lien against the property under the Buyer's mortgage. An Owner's Title Insurance policy safeguards the Buyer's investment or equity in the property up to the face amount of the policy.

**Q. 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.

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

Probably less than you think. In addition, unlike other insurance premiums that must be paid annually, a title insurance premium is paid one time, usually at settlement or the closing of the property.

**Q. Where can I purchase title insurance?**

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. North American Title Company was founded in 1963 and we insure your home's title through the nation's largest, most secure underwriters.



Check out all of our resources and information about title insurance at:

- [www.nat.com/Protect](http://www.nat.com/Protect)
- [www.nat.com/50Ways](http://www.nat.com/50Ways)
- [www.nat.com/NATTV](http://www.nat.com/NATTV)

When the time comes to purchase Owner's Title Insurance to protect the investment in your home, *call on North American Title Company.*