

What is title insurance?

By ALEX MASON | Green Shoot Media

A property may pass through a lot of hands over the years, and title insurance ensures that the current owner is protected.

Legal disputes are the primary reason why a homeowner needs title insurance to verify ownership and clearly define who is the legal owner. In many cases, title insurance is not only good business sense but it is required by the lender.

PROTECTION PROVIDED

The list is a long one, and in the complicated world of today's financial matters, your title insurance provides a lot of crucial protections.

Homeownership fraud is on the rise as criminals seek to take ownership by stealing the title. It may be thwarted by having proper title insurance. In addition, the title insurance will prevent a previous contractor from claiming non-payment by the former owners and slapping the property with a lien.

HOW LONG DOES COVERAGE LAST?

The title insurance will have a policy to cover the owners and heirs as long as they are obliged with a mortgage payment to the lender. If the home is sold, the owner is free and clear from the policy, as the new owners will set up their own title insurance policy.

TITLE INSURANCE FEES

The rate for your title insurance may increase slightly if the property value greatly appreci-



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Title insurance is an important part of a real estate transaction and helps protect buyers from potential future claims against the property.

SHOPPING FOR A POLICY

Shopping for your own title insurance is allowed by law but is not considered a pleasant or easy task.

The usual way to get your title insurance is to go with your real estate professional's choice. They have carefully screened the policies and services of their preferred title companies and chosen the best title professionals for their clients.

After reviewing a number of title

insurance policies, you will understand that there are few variations on the issues that really count.

Rates and services are a close call between different title insurance companies, so go with an agency that has a good reputation in your community.

Contracts of any kind are tedious and complicated, and this is one branch of the home buying game where your local real estate office can go to bat for you. They should not make a commission or receive a kickback for their connection to a quality title insurance company. Wisdom says to take

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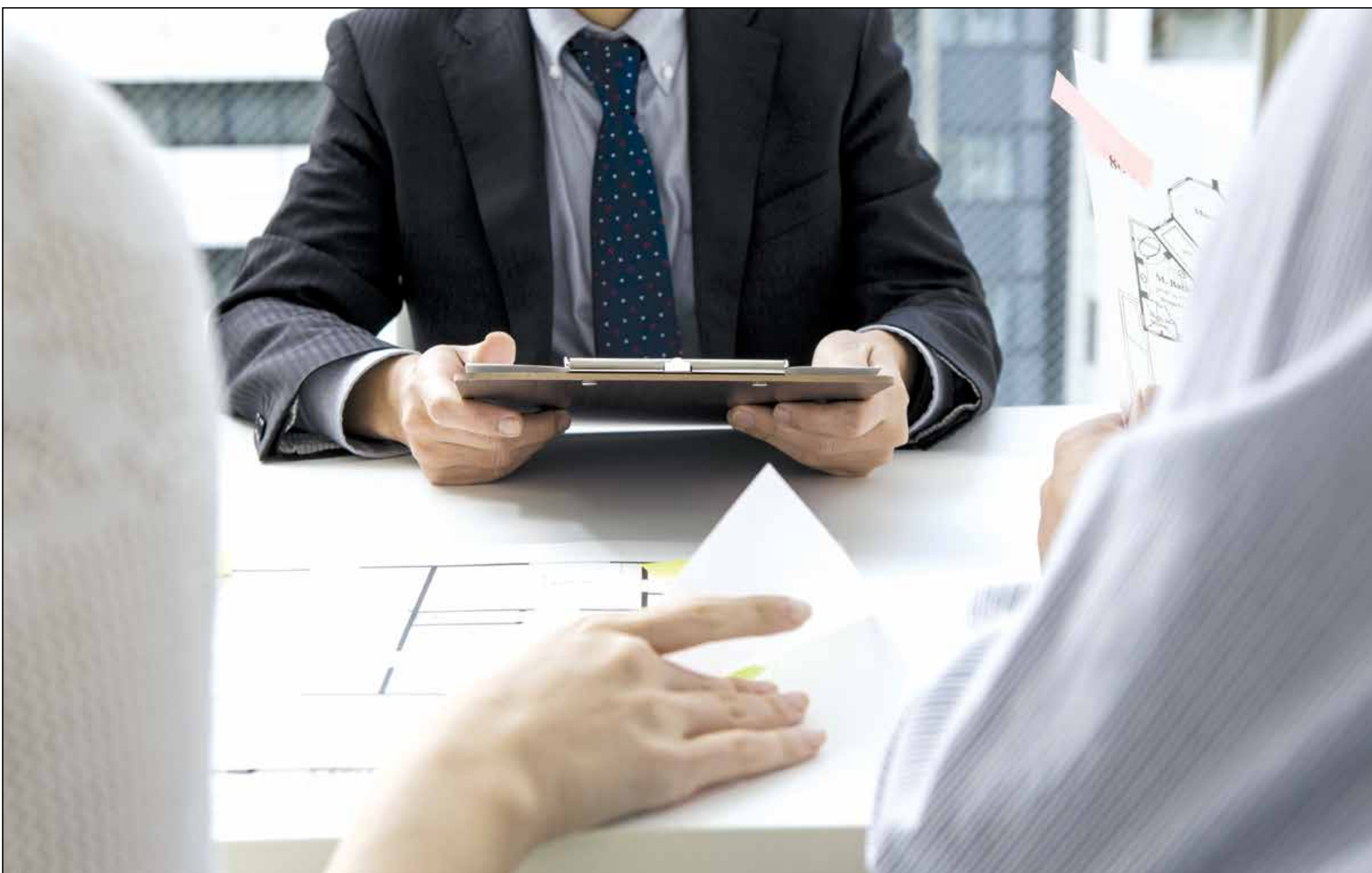
What's in a Survey?

A title insurance policy often includes a survey of the property. This is a drawing of the property showing its features and boundaries. According to the U.S. Department of Housing and Urban Development: "You may be able to avoid the cost of a complete survey if you can locate the person who previously surveyed the property and request an update. Check with your lender or title insurance company on whether an updated survey is acceptable."

their advice and let them set up the title insurance contract for you.

Your title insurance policy must be ordered immediately and a copy sent to your mortgage lender. The fastest and easiest way to ensure that you are legally covered, without any time lapses, is to allow your real estate agent or broker to set you up. This service is free to you and can relieve the stress of shopping for a policy on your own.

Alex Mason is a former real estate agent and mortgage broker living in Los Angeles



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homeowner will pay a modest increase to obtain full coverage services.

An adjustment also will be required by the lender when a homeowner chooses to refinance the property. The terms and conditions will vary from state to state and with each lender, but the homeowner can expect to pay a rate similar to their current title policy. Refinancing title insurance is not an option with many lenders, so be prepared to go with the flow and change your title insurance policy on demand.

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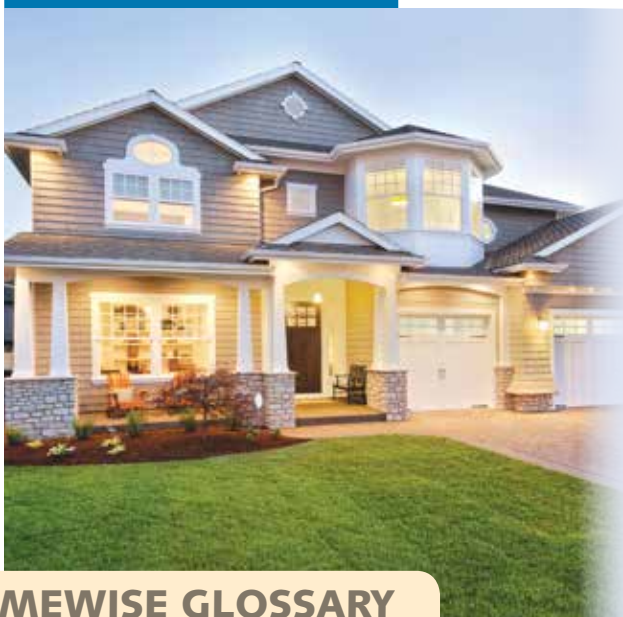
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HOMESWISE GLOSSARY

Deed: a written document (signed, delivered and usually recorded) conveying (transferring) title to real estate from one owner to another.

Deed of trust: a type of security instrument in which the borrower conveys a trust to hold property to a third party (trustee) as security for the lender, with the condition that the trustee will reconvey the title upon payment of the debt and conversely, will sell the property and pay the debt in the event of a default by the owner.

SOURCE: Freddie Mac

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