

TITLE INSURANCE: CRITICAL TO PROTECTING YOUR HOME PURCHASE



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When you take out a mortgage to buy a home, your lender will require that you get title insurance for the property. Title insurance can protect you and your mortgage lender from financial loss due to legal expenses if your home's title is challenged.

Title insurance protects you against any events or errors that occurred before you owned the home, like improper or forged title documentation, unpaid debt by previous property owners, or issues of ownership resulting from conflicting

wills - all of which could potentially cloud or blemish the property's title.

A property's title generally consists of a number of reports and records, known as a property abstract or chain of title, which details former owners of the property. It is the title professional's job to "perfect" the title by resolving liens and removing clouds when they find errors or issues.

In California, there are two types of title insurance policies: a CLTA (California Land Title Association) policy which insures the property owner (and is optional) and a ALTA (American Land Title Association) policy, which is an extended coverage contract that insures the lender against possible unrecorded risks excluded in the CLTA policy. The CLTA title insurance coverage remains active until the property is sold, while the ALTA lender's policy remains in place until the loan is paid off.

Prior to the close of escrow, the title company will examine all records documenting the chain of title. They

will review records from the county recorder's office and from various tax agencies so that both the owner and lender are assured that a thorough search has been made of all public records affecting the property.

When someone is considering the purchase of a property, it is important that the property has marketable title - that is, clear of any liens, judgments, defects or encumbrances. Title insurance is designed to protect property owners and mortgage lenders against losses which result from imperfections or omissions in title.

The one-time title insurance premium is part of the closing costs for the loan, and like most insurance premiums, the cost is based upon the coverage amount. Payment of this premium can be a negotiable item between the buyer and the seller. In Northern California, the buyer usually pays the CLTA fee, whereas in Southern California the CLTA policy is customarily paid by the seller. Payment for the ALTA policy is almost always paid by the home buyer. To avoid any number



of ownership complications, home buyers purchase title insurance at settlement. For a premium indication of what your title insurance will cost, go to www.oldrepublictitle.com/rate-calculator/california

As with other types of insurance, the title insurance company will allow you to expand your insurance coverage through policy endorsements, also referred to as riders, which you can typically add on for a small price. Endorsements may include others' easements on your property (such as the right of vehicular and pedestrian access),

building ordinance violations, border line disputes, subdivision restrictions, private restriction violations, or zoning violations.

Like most insurance, title insurance only seems useful when you actually need it - and then it seems indispensable!

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