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Be The First On Your Block To Understand Title Insurance

**UNLESS YOU MAKE A HABIT OF BUYING A HOME
EVERY YEAR...**

...chances are you're not too familiar
with the topic of title insurance.

You're not alone.

That's because in recent years the real estate industry has become quite complicated. Today, it speaks a language all its own. So even if you would remember what you have been told about title insurance, it's a good bet that you wouldn't understand it.

The point is, while title insurance may be the least understood part of real estate transactions, it is one of the most important. In terms of protecting your investment, nothing matches its effectiveness.

That's why taking the time to develop a clear picture of title insurance is so worthwhile; besides being the first on your block to truly understand it, you'll discover facts every property owner ought to know.

If that sounds like something you'd like to do during the next few minutes, then you've come to the right brochure.

FIRST, LET'S CLEAR UP THE CONFUSION...

People often confuse title insurance with other kinds of insurance. They also mistakenly assume that real estate titles and vehicle titles are pretty much alike.

If you're guilty of one or both of these notions, then this section is for you.

The Differences Between Title Insurance and Other Types of Insurance

- While other forms of insurance cover either dwellings, vehicles or individuals, title insurance protects a buyer's proof of ownership to a parcel of land. This involves insuring the owner against losses from defects in the title (discussed later in detail).
- The most unique difference is: title insurance protects the insured from loss and events occurring in the past. Events in the future or beyond the date on which the policy becomes effective are not covered.
- A title insurance premium is paid only once. The policy does not renew, and is in effect for as long as the insured persons own the property and continues to protect the insured on warranties after it is sold.
- Because of its special type of policy protection, title insurance is available only at a licensed title insurance agency, and is the only insurance it sells.

The Differences Between Real Estate Titles and Vehicle Titles

- Property cannot be transferred by "signing over" a title to the new owner
- In the real estate industry, "title" denotes ownership and occurs when a property *deed* is prepared, signed, transferred and recorded in the name of the new owner.
- A Certificate of Title is not issued with the sale and ownership of real estate as it is for a vehicle, such as a car, boat or motor home, for example.

You can see title insurance and real estate titles differ greatly from the more traditional types of insurance and titles. And knowing what makes them different is the first step toward understanding their important roles.

WHAT “TITLE” REALLY IS

In the real estate industry, the term “title” is somewhat of a misnomer since, in fact, a property title, as such, does not exist.

Curiously, of all the documents issued in a real estate purchase, none are labeled “title”.

The reason is the real estate industry uses the term to denote the evidence or right which a person has to the ownership and possession of land. In this context, a person is thought to have *title* to the property when the deed is signed, transferred and recorded in his or her name.

A specific document labeled “title”, therefore, is not issued with the purchase of real estate, because the property’s deed and prior-recorded documents serve that purpose.

IT ALL STARTS WITH AN EXAMINATION OF A PROPERTY’S HISTORY

Once a sales agreement is signed between buyer and seller, the sales agent contacts the title insurance agency to order a “commitment” (preliminary report) for a title insurance policy.

The commitment consists of an examination (search) of public records at several municipal, county and state agencies. These include the recorder’s office, clerk of courts, probate court, treasure’s office and federal bankruptcy court.

This search, which is conducted by a title insurance agency examiner, is done to determine if the property is insurable by verifying ownership and disclose any liens, limitations or restrictions affecting it. When and if this determination is made the title agency issues its commitment, in writing.

Basically with the commitment, the title agency indicates that it will insure the buyer against loss due to title defects – flaws either hidden or those recorded and undetected during the search of public records.

As a result, when the sale is closed (completed) and the appropriate documents are recorded, a title insurance policy is issued to the new owner.

WHAT TITLE DEFECTS ARE, AND WHAT MAKES THEM “HIDDEN”

Title defects are legal flaws in the title and consist of any number of irregularities, such as those stemming from fraud, human error, improper deeds, wills or liens or other rights.

They are considered serious because, in some cases, they can give someone other than the owner legal right to claim property or to make demands of its owner.

Defects are generally referred to as being “hidden” whenever they are contained in public records because they have not been hidden from public view, making their presence all but impossible to detect.

THE MOST COMMON TYPES OF HIDDEN DEFECTS

Although there are virtually countless types of hidden defects that can have an adverse effect on ownership of property, the most common classifications are as follows.

FRAUD: false claims of ownership, forged deeds, wills, signatures, false records, representations and illegal acts of trustees, guardians, and administrators.

HUMAN ERROR: in copying, indexing, and recording; errors by administrators, trustees, guardians and attorneys, plus destruction of records.

IMPROPER DEEDS and WILLS: by persons of unsound mind, minors; deeds delivered after death or without the grantor’s consent; invalid, suppressed, erroneous wills, missing heirs, unsettled estates.

LIENS and OTHER RIGHTS: for unpaid estate, inheritance, income, property and gift taxes; homestead rights, community property rights; irregular court proceedings, court opinion reversals, lack of court jurisdiction; defective disclosures.

Indeed, there are many possible causes of title defects that no examination can disclose, causing potentially serious problems. Although a person may own the property, others may also have rights in that same real estate.

A title insurance policy protects the owner against such hidden risks, and more.

WHAT, EXACTLY TITLE INSURANCE DOES

As stated earlier, title insurance protects a property owner from losses arising from defects in the title to the real estate.

It is important to note that this protection extends beyond losses from defects that are hidden or those that are not contained in the public records. Coverage also includes those defects that have been documented but have gone undetected during an examiner's search of public records.

As well, the title insurance underwriter guarantees the owner against loss due to expenses associated with the legal defense of the title, as spelled out by the terms of the insurance policy.

In short, title insurance offers homeowners a comprehensive cost-effective method of securing their proof of ownership, thereby protecting the largest single investment of a lifetime.

TITLE INSURANCE COSTS AND PREMIUMS

The cost of title insurance is directly related to the value of the property: the higher its value, the more coverage that is required, increasing the total cost.

Insurance rates are regulated by the Ohio Department of Insurance. The premium is paid only once, and the owner's policy is in effect for as long as the insured owns the property and continues to protect the insured on warranties after it is sold.

Most lenders require a title insurance policy to insure priority of their mortgage. This policy is in effect for the life of the insured mortgage.

SELECTING A TITLE INSURANCE AGENCY

When selecting a title agency, give special consideration to two key factors; its experience and, in particular, its versatility to provide the custom title work and loan closing requirements of each and every lender.

This know-how is important, not only to meet deadlines, but also to maintain high standards of service to consumers, real estate firms and lenders alike.

Equally as important is an agency's size and its ability to serve Stark and its contiguous Counties. Generally, such broad local and regional market coverage is a sign of well-established, successful title insurance company.

These and other factors, such as personalized service, menu of services, in-house legal counsel, and dedicated title examiners should be evaluated when comparing and selecting a title insurance agency.

YES, THERE'S MORE TO TITLE INSURANCE THAN MEETS THE EYE

As you've just seen, title insurance is unique and unlike any other insurance product.

Over the years, it has evolved in scope to meet the needs of an ever-changing real estate industry. From pen and ink ledgers, to computers, it has kept pace. Today, for owners, Realtors and lenders across the nation, title insurance remains the most viable means of ownership protection.

We hope you have enjoyed this discussion about it and have found the information to be interesting, as well.

Oh, yes, we almost forgot: Congratulations! You've just become the first on your block to understand title insurance.

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