FLEET STREET
TITLE & CLOSING
ROMAN LAW GROUP, PLLC

Title insurance provides protection against financial loss which could result from title defects or claims against your property. There are two types of policies: the owner policy, which provides protection to the homeowner and the homeowner's heirs, and the mortgagee policy which offers protection to the mortgagee (lender) and its assigns. These two policies are separate and distinct. If the lender requires title insurance (which is usually paid for by the buyer), it is the lender who is insured and not the owner. If the owner wishes title insurance, a separate policy must be purchased. The new owner can, however, reduce the cost by purchasing the two policies simultaneously.

Title insurance offers two types of coverage. First, it will pay to defend the insured's title in a court of law, and secondly, it will pay the cost to remove a defect in title on behalf of the insured to the extent of the policy limits.

Purchasers of property are correct when they assume that their attorney's examination of the title to the premises and receipt of a warranty deed from the seller are generally sufficient to assure that they will have good title to the property.

However, title insurance provides two additional protections. First, if there is a problem, it is the title insurance company and not the new owner who will have to assume the financial burden of making a claim against the prior owner. Second, there are a number of "hidden defects" which neither the seller nor the attorney examining the title is responsible for but which could affect your title. Examples of these are lost or forged deeds, deeds executed by incompetents, incorrectly indexed deeds, or improperly probated wills. Title insurance covers all such potential problems and does so without respect to the financial resources of the attorney or the prior owner.

The title insurance policy or policies are issued at the time of closing. There is a one-time premium payable at closing by the buyer. Protection begins immediately upon the recording of the appropriate documents and works backward in time. This

is to say that, loss resulting from any defects which occurred prior to your closing will be insured by the policy. Those things affecting title which occur after the time of your closing would generally not be covered by the standard policy, unless, of course, they were based on some defect in the title which existed prior to the time the insured lender or owner acquired an interest in the property.

There are specific exceptions from the coverage of the policy, but they will be set forth on the policy as items not being covered. Normally, those items found of record during the title search will not be covered, and these will be listed as "exceptions" to coverage. For instance, most properties have one or more easements in favor of utility companies to permit

the location of gas, electric, water or sewer lines, and these will be set out in the title insurance policy. However, the policy insures that there are no easements other than those listed. We will be able to explain these items to you in more detail at the closing.

The owner policy protects you, the insured, so long as you have an interest in the property. It protects your heirs' interests in the property if the property is transferred to them, and it protects the warranties you give when you transfer the property. The mortgagee (lender) policy lasts only so long as the loan is outstanding, which means that you may be required to purchase a new mortgagee policy in the event you refinance your loan at a later time.

Owners usually purchase coverage in an amount equal to the purchase price of the property. The owner policy may include a provision that automatically increases the amount of coverage by a percentage of the original amount each year for the first five years without additional cost. The amount of coverage on a mortgagee policy is the amount of the unpaid portion of the loan including interest. (Premiums are charged based upon the fair market value of the property and the total amount of the loan.) Expanded coverage policies are also available in many states at higher premiums.

In today's economic market, lenders require title insurance to secure the interest they have in the property, and to assure the marketability of their mortgages on the secondary market. As an owner of the property, you should consider obtaining an owner policy to secure the interest and marketability of your investment . . .your new home.