

TITLE INSURANCE FAQ SHEET



What is title insurance?

Title insurance is a two-part transaction.

1. First, a title company or attorney searches property records to insure that there have not been any clerical errors, mistakes in examining records, omissions in deeds, undisclosed heirs, unknown liens, or any fraud pertaining to the deed. It verifies that the seller really owns the property and has authority to sell it.

2. Next, the title company doing the search contracts with an underwriting company to issue you an insurance policy that will pay to defend you if anyone challenges your title. They will also compensate you for any equity loss if you were to lose your case.

What types of policies do you need?

Homebuyers typically need two policies. They will need an owner's policy which protects them, and a lender's policy, which safeguards the lender.

What coverage do you need?

Owner's policy protects against a number of things, like undisclosed heirs, fraud, spousal claims and forgery. Your lender could also require additional insurance if you have an adjustable rate mortgage. The additional coverage would guarantee that the lender is first in line to receive repayment if the home was to go into foreclosure.

Are the prices regulated?

The answer is yes, in Texas, the insurance premium is state regulated. However, there are ancillary costs like wire fees, recording cost, Homeowners Association fee, courier and even attorney fees that do add up. Therefore it is smart to ask for a complete transaction price, not just the title insurance cost.

Is it like homeowners insurance?

No, title insurance does not insure against flood, fire, theft or any other form of property damage. It protects you from any losses due to ownership problems that arose **before** you bought the property.

What's the difference between a title commitment and a title policy?

Title commitment comes before the closing. It states that the title company has searched the property records and is willing to issue a policy under certain conditions. Title policy is issued after the closing and provides coverage for the property.

Do you have to renew your title policy?

No, coverage lasts as long as you or your heirs own the land.

What if my home increases in value? Will you still be covered?

You are covered for the value of your policy. If your home increases in value or if you make improvements on your home, you can buy an increased value endorsement to cover the increase in your property's value.

Do I get a discount if I refinance?

Yes. The premium discount varies, based on the number of years since the original purchase, or previous transaction.

BIG QUESTION - Can I pick my own title company?

The answer is YES! You may choose any title company you want. You do not have to use a company selected by your real estate agent, seller, builder or lender.

Section 9 of the Real Estate Settlement Procedures Act (RESPA) prohibits sellers from conditioning the home sale on the use of a specific title insurance company.

