

TITLE INSURANCE

Types of Title Insurance

There are two types of title insurance: lenders title insurance, also called a loan policy, and owner's title insurance.

Lender's Title Insurance

Lender's title insurance protects the lender. It is issued in the amount of the loan and protects the lenders interest in the property. When the loan is paid in full, the lender's title insurance ceases to exist. Most lenders require a loan policy when they issue you a loan. The loan policy is usually based on the dollar amount of your loan. It protects the lender's interests in the property should a problem with the title arise.

Owner's Title Insurance

Owner's title insurance is optional and is usually issued in the amount of the real estate purchase. It is purchased for a one-time fee at closing and lasts as long as you or your heirs have an interest in the property. Only owner's title insurance fully protects the buyer should a problem arise with the title that was not uncovered during the title search. Owner's title insurance also pays for any legal fees involved in defending a claim to your title. There are two types of owner's title insurance - Standard and Enhanced (Home Owners.) Please contact one of FGTE's licensed title agents, if you have any questions.

How does title insurance work?

As properties are bought and sold, the potential exists for mistakes and irregularities to be made. These happenings can take place long before the potential buyer shows an interest in the property. Along the way, sellers may have failed to disclose that the property had been used as collateral for an unpaid loan, fraudulently claimed to be the only owner of the property, and unpaid real estate taxes. Prior to issuing title insurance, an extensive search is performed. Should defects of title be found during the search, these issues are thoroughly investigated, in an attempt to correct them. Should the title company not be able to clear the defects and provide clear title to the property, the buyer will have the option of walking away from the property.

Why would I need title insurance when I am buying a new home?

New construction may raise special title problems for the lender and owner. You may think you are the first owner after purchasing your lot. Most likely, there were many prior owners of the unimproved land. A title search will uncover any existing liens and a survey will determine the boundaries of the property being purchased. Builders sometimes fail to pay subcontractors and suppliers. This could result in the subcontractor or supplier placing a lien on your property. Lenders need to know that the property has clear title, thus the required lenders' title insurance. Purchasing owner's title insurance will protect you against these potential problems and pay for any legal fees involved in defending a claim.