

What you need to know about title insurance



Q: What risks make title insurance important in protecting your title to real estate?

A: Historically, real estate has been considered an individual's most basic and most valuable form of wealth. As such, land and property ownership is protected by special laws, enacted to protect ownership of and inheritance rights to land and the buildings on the land. When you purchase property, the seller, as well as his or her family and heirs, has extremely strong rights, protected under these laws. What you may not know is that, in addition to the seller, there may be others who hold "rights" to the property. Interested parties can include governmental bodies or contractors, or individuals who have proper unpaid claims against the property.

Anyone in possession of such a claim is essentially part owner of the property. During the real estate transaction, it is possible for the property to be sold without the knowledge of any potential part-owners. And unfortunately, while you may be unaware of any existing claims, they may remain attached to the real estate you have purchased.

It is important that you get a clear title when you purchase property. This means that you must be informed about any claims against your land so that you can make certain they

are cleared up before you buy. And it means you must be protected against any undiscovered claims that may arise to threaten your title and the possession of your property. Title insurance provides this two-fold protection.

Undiscovered Claims

What happens when a defect in the title doesn't appear on public records? Called "hidden risks," these undiscovered claims may arise long after you have purchased your home. Protection against loss from these claims, which prove undiscoverable by examination of the public records, is the second part of the two-fold benefit provided by title insurance.

Potential hazards including acts of forgery, of confusion caused by similar names or error in public records could result in the title to your home being seriously threatened or completely lost. If you are insured and a claim is made against your home, title insurance companies will defend your title in court if necessary - completely at their expense. The title company will bear the cost of settling the claim, if it proves valid, to protect your title and help you retain possession of the property.

Title insurance is the promise that every possible defect on the title to your real estate purchase has been called to your attention so that it may set right before you buy. It is insurance that any potential, undisclosed claim will be disposed of, or you will be reimbursed exactly per the provisions of your insurance policy.