

LAWYERS LINK



PAYING FOR TITLE INSURANCE

Title insurance is a crucial safeguard in any real estate transaction, protecting both the lender and the buyer against potential issues with the property's title. The party responsible for paying title insurance can vary depending on the specifics of the transaction,

location, and negotiation between the buyer and seller. Understanding who pays for title insurance and the types of policies offered makes it easier to navigate the real estate transaction process with confidence.

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Types of Title Insurance Policies

There are two types of title insurance policies: a lender's policy and owner's policy. Each policy serves a distinct purpose and protects different interests within a real estate transaction. Both policies are issued and paid for separately and are essential to ensuring that all interests in the property are secured against potential title issues.

Lender's Title Insurance

A lender's title insurance policy is a necessary component of the mortgage lending process. Because the lender's policy is designed to protect the lender's investment, it is a mandatory requirement for securing a mortgage. This policy protects the mortgage lender's priority interest, particularly in the event of a forced sale or other title-related issues. Should any title defects or claims be discovered after the purchase, this policy ensures that the lender will be compensated for the outstanding loan balance, as well as any associated costs.



Owner's Title Insurance

The owner's policy protects the buyer's interest in the property. It covers issues such as mechanic's liens, property boundary disputes, or unpaid taxes that arise after the purchase. The owner's policy is typically issued for the full purchase price of the property and the coverage lasts as long as the homeowner or their heirs own the property.

The specific terms of an owner's title insurance policy, including the types of claims covered and any exclusions, are clearly outlined in the policy documents. It is very important for homeowners to understand these details and know exactly what is protected under their policy.

Do I Need to Get Owner's Title Insurance?

An owner's title insurance policy is important because it protects homeowners from financial loss due to title defects or claims that may arise after purchasing a property. Title insurance provides legal defense and covers costs if someone challenges your ownership, offering peace of mind and safeguarding your investment.

The Role of the Title Company

A title insurance company plays an important role in real estate transactions by ensuring the legitimacy of a property's ownership and protecting buyers and lenders from potential title defects. One of their primary functions is to perform a title search to ensure the seller has the right to transfer ownership and

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that the buyer won't face unexpected legal or financial problems later. A title search involves gathering relevant information about the property, examining public records to identify any title defects or existing claims, and establishing a chain of title.

Costs and Payment Practices

The title insurance cost can vary based on several factors, including the home purchase price, the type of policy, and the location of the property. The average cost of title insurance typically ranges from \$500–\$3500, which is roughly 0.5% to 1% of the home's purchase price. This cost is a one-time fee paid at the closing of the real estate transaction.

Typically, the buyer is responsible for paying the title fees associated with both the owner's and lender's title insurance policies. However, in some states, the seller may also contribute to these costs as part of the negotiated closing terms. The exact division of payment can vary depending on local customs and the specifics of the transaction.

Please contact your Lawyers Title Representative for more details.

Disclaimer: The information provided is for general informational purposes only.



MONTHLY INDUSTRY TERMS

Closing (also called "settlement")

The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt.

Equity

The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

Trust Account

An account separate and apart and physically segregated from the broker's own, in which the broker is required by law to deposit all funds collected for clients.