

# What is Title Insurance?

## *So, you're buying a house...now what?*

Buying a house is an exciting time. It can also be a bit confusing. Things feel like they're happening pretty fast and, often, some important things can go unexplained—like title insurance.



## What is the title?

The title to a piece of property is the evidence that the owner is in lawful possession of that property.

## What is title insurance?

Title insurance protects real estate owners and lenders against any property loss or damage they might experience because of liens, encumbrances or the defects in the title to the property. Each title insurance policy is subject to specific terms, conditions and exclusions.

## How does title insurance differ from other insurance?

Insurance such as car, life, health, etc. protects against potential future events and is paid for with monthly or annual premiums. A title policy insures against events that occurred in the past of the real property and the people who owned it, for a one-time premium paid at the close of the escrow.

## What does it cover?

Title insurance protects against claims from defects. Defects are things such as another person claiming an ownership interest, improperly recorded documents, fraud, forgery, liens, encroachments, easements and other items specified in the policy.

## Who needs it?

Purchasers and lenders need title insurance in order to be insured against various possible title defects. The buyer, seller and lender all benefit from the issuance of title insurance.

## How is a title policy created?

After the escrow officer or lender opens the title order, the underwriter begins a title search. A Preliminary Report is issued to the customer for review and approval. All closing documents are recorded upon escrow's instruction. When recording has been confirmed, demands are paid, funds are disbursed, and the actual title policy is created.

## What is escrow?

Escrow refers to the process in which the funds of a transaction (such as the sale of a house) are held by a third party, often the title company or an attorney in the case of real estate, pending the fulfillment of the transaction.

## What are the policy types?

A standard policy insures the new owner/buyer, and a lender's policy insures the priority of the lender's security interest.

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