

Title Insurance: Not “Just Another Fee”



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Title insurance is a closing expense for both residential and commercial real estate transactions that can sometimes be misunderstood by the property buyer.

In fact, a recent survey conducted by the American Land Title Association (ALTA) revealed that most buyers in a residential transaction think of title insurance as “just another fee” they have to pay to buy a home.

They aren’t really sure what it does or how it protects them, only that it is one more check to write on what is already a very stressful day filled with the writing of checks.

A major reason for this uncertainty surrounding the protection provided by title insurance is that buying a home has become a rather complex process.

There are so many details to take care of that most people rely on the person handling the sale to take care of them—typically their real estate agent and real estate attorney. They trust their “team” to know the process and do what is required, including ordering services like the appraisal, home inspection, and title work.

What is Title Insurance?

An Owner’s Policy of title insurance assures that the home they are buying is free of issues that could cloud the title and create serious problems in the future.

Prior to issuing the insurance policy and before you close, title professionals conduct an exhaustive search to check for liens, encumbrances, easements, and other problems that could affect the status of the title.

If a problem is discovered, title professionals typically take care of it, or notify you so that you can make an informed decision. If a title defect covered under the policy isn’t discovered until after you close, the insurance kicks in to cover any losses.

What are some typical problems that might cloud a title? There may be a lien on the property for unpaid property taxes by the previous owner, or a mechanic’s lien by a subcontractor who performed work on the property and was never paid. Other examples include a prior unpaid mortgage, or covenants and restrictions on the use of the property.

Sometimes there are problems that go undetected during the title search, such as fraud or forgery, a mistake in the public record, or an unknown heir claiming ownership. If this occurs, you would file a claim with your title insurance company.

The truth is, claims are rare in the title insurance business because of the due diligence that is performed before the policy is issued. Most of the premium dollar goes to pay for the upfront costs of performing the title search, and clearing up title issues before you close.

Understand Your Coverage

The bottom line for a buyer is that title insurance is more than “just another fee”—it provides real protection should something happen to threaten the title to your home or commercial property.

Buyers in real estate transactions can choose for themselves the title company that they would like to work with, or have their attorney arrange for it.

Either way, talk to your title representative to find out what is and isn't covered in your title insurance policy.

For peace of mind, make sure you fully understand your coverage before you close.

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Have you ever been to a closing where the title wasn't cleared? We haven't!