

Tips For Purchasing Title Insurance

There are many reasons why it is important for a real estate owner and mortgage lender to purchase title insurance. Title insurance protects owners and lenders from hidden hazards resulting from liens, encumbrances and defects in the title to the property. These hidden hazards threaten the investment in the real estate, which oftentimes is substantial.

Most people want to know the cost of the premium before the decision to purchase title insurance is made. However, there are other matters to consider. This article addresses some questions you should ask the title agency when purchasing title insurance.

How much title insurance is necessary?

Ordinarily, it is important for the owner to obtain title insurance in the amount of the purchase price of the property. However, if the purchase price does not reflect the appraised value of the property, then the owner should consider purchasing title insurance sufficient to cover the appraised value. Lenders, on the other hand, typically purchase title insurance sufficient to cover their loan exposure.

What fees are associated with obtaining a policy, besides the premium?

Besides the premium, other fees can come into play. Depending on where the property is located, there could be an insurance premium tax payable to the local taxing jurisdiction, which typically is a percentage of the policy amount. In addition, independent fees are charged for completion of the title examination, the actual written commitment or binder, and preparation of other documents (e.g., title and survey affidavits) needed to issue a policy.

Can you take advantage of simultaneous issue rates?

When both an owner's policy and lender's policy are issued simultaneously for the same property, the purchaser does not have to pay a full premium for both policies. The purchaser will have to pay the premium for the owner's policy, which is calculated at a higher rate than lender's title insurance. However, the lender's policy is priced at the simultaneous issue rate, typically in the \$50 to \$100 range depending on the jurisdiction.

Are you obtaining title insurance as a result of refinancing the property?

When refinancing the property, and a new lender's policy is required, the owner may be able to take advantage of the rates applicable to a reissue of the prior policy, depending on the age of the prior policy and the amount of insurance coverage. This usually saves a considerable amount of money for the owner, who is responsible for paying for the lender's policy in most cases.

Will separate endorsements to the title policy be necessary?

Sometimes, depending on the circumstances of a transaction, the owner or lender will need to obtain certain endorsements to the policy. Examples include ingress and egress endorsement, zoning endorsement, etc. These separate endorsements each come with a cost.

The answers to these questions will have an impact on purchasing title insurance for your property. Remember to ask these questions so you are aware of what a policy is going to cost in order to protect your investment.