

# Why you need Title Insurance

Most types of insurance focus on possible future events and charge an annual premium. Flood, home and auto insurance are just a few such examples. Title insurance, by contrast, protects against hidden defects in the title and, unlike other forms of insurance, is paid only once.

## Why title insurance?

Title insurance was first issued in 1871 to enable speed and efficiency when property is conveyed, or legally transferred from one owner to another. Because of title insurance, real estate is more marketable and thus more valuable. Over the years, title insurance has proven effective in protecting buyers and lenders against defects in a property's title, and today its use has spread around the world. Stewart Title has played a major role in fostering that growth.

## How does the process of getting a title policy begin?

Insuring a home's title begins with a search of the public land records associated with the property. The title company examines all documents in the public records – deeds, wills and trusts are just a few of the many – in order to determine the status of the title.

Should title problems appear during the search process, the title company will correct them whenever possible so as to avoid future claims. According to surveys done by the American Land Title Association® (ALTA®), title problems consistently arise in one out of three real estate transactions (36%). That's all the more reason to have a title insurance policy.

## What is the cost of not having a title policy?

The process of performing title searches and curing title problems does not come cheaply. Industry studies find that title insurers spend an average of 92 cents out of every dollar paid toward a premium as their cost of doing business. The most common actions taken to cure title defects include

- ▶ Releases or payoffs for liens
- ▶ Releases or payoffs for deeds or mortgages needing typographical corrections (e.g., names, addresses, legal descriptions)
- ▶ Clearing of estate-related issues
- ▶ Clearing of physical property issues.



## What if a problem is hidden or missed?

Despite the search-and-examination process, a title problem may still be hidden or missed. Examples of common problems include

- ▶ Forged signatures on a deed
- ▶ Unknown heirs who step forward to claim ownership of the property
- ▶ Expired or forged power of attorney used during a prior property transfer
- ▶ Incorrect public records.

Should these or other cases arise, a title insurance policy will offer indemnity protection. The title insurer will defend the title and either perfect it or pay valid claims protected by the policy.

## What types of title policies are available?

Two types of title insurance policies exist: a lender's policy and an owner's policy. A lender's policy ensures that should the mortgage not be valid or the lien priority incorrect – in other words, should the mortgage fail to be enforceable – the lender will be indemnified against loss, subject to the terms of the policy.

Lenders require the homeowner to purchase a lender's title policy in order to protect their financial investment in the property. They also need a loan policy when packaging and selling their loans in the secondary mortgage market.

An owner's title policy is separate from the lender's policy and serves to protect homeowners from defects and liens in the chain of title up to the date and time the deed is recorded in the public records. Owner's title insurance lasts as long as the policyholder or his or her heirs have an interest in the property. The policy may be valid even after the homeowner has sold the property.

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