



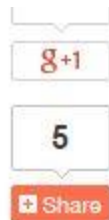
# Title insurance 101: What it is and why it's important

By JANICE BURKEY Pioneer Title Agency | 0 comments

The land title transfer system in America works so well that most consumers never take the opportunity to learn how or why it works, or understand the personal and societal benefits derived from this highly effective system of assurance.

However, when an individual sits at a closing table to sell one house and buy another, the main reason such a complex real estate transfer can be quickly accomplished is because an independent, third party title/settlement professional has already:

Searched various public records, including property and tax records to establish legal ownership of the property being sold and any restrictions on its use;



Identified any title or public record defects that need to be cured prior to closing, which is a critical step to reveal a title or public record defect;

Accounted for and transferred all of the money intended to change hands; and

Committed to issue a policy of title insurance to the buyer and/or lender after closing insuring against a variety of title risks and defects in accordance with the terms and conditions of the policy.

Given the importance of title professionals and title insurance to home ownership, property transfers and financing, below is a quick explanation of title insurance and how it works.

What is Title Insurance?

In its simplest terms, title insurance is a contract of indemnity that protects a buyer and/or lender against loss or damage arising from certain problems affecting the title to real property being purchased or for which a buyer/owner is seeking financing.

#### Types of Title Insurance

The two most typical types of title insurance are an owner's policy, which protects the buyer's interests, and a loan policy, which protects the lender's interests.

An owner's policy is generally issued in the amount of the purchase price, and remains in effect for as long as the owners or their heirs retain an interest in the property. A standard policy insures against public record matters that may affect ownership of the property, marketability of the title or legal access. Extended and homeowner's policies provide coverage for certain off-record and post-policy matters. If a covered claim arises, the insurer will undertake to cure the defect, pay any actual losses incurred and/or provide a defense of the covered matter.

A loan policy assures the lender of the validity, priority and enforceability of its lien (mortgage) — serving as protection for the lender's security interest in the property. A loan policy is issued in the amount of the loan, and liability decreases as the mortgage is paid by the borrower.

#### ISSUING A POLICY

Before a title policy is issued, a title search of the public records is made in an effort to locate any potential problems that may impact the transaction.

Examples include:

Someone other than you owns your property.

Forgeries in the chain of title.

A claim by a previously undisclosed relative of a former owner.

Unpaid taxes and assessments.

Unpaid judgments.

Unpaid deeds of trusts and mortgages.

The title search also discloses easements, rights-of-way, mineral reservations and other record matters affecting a buyer's use of the property. These items will be disclosed on the title commitment. Once any noted problems are cured, the title insurer will be in a position to issue its policy.

Why is IT Important?

Think about it — as a buyer, wouldn't you be more willing to purchase property if you were insured against property fraud and defects in the public record? And as a lender, wouldn't you be more willing to make loans because the priority and enforceability of your loan is insured?

It is a win-win for both sides — and everyone's peace of mind.

*Janice Burkey is branch manager of Pioneer Title Agency's Bullhead branch. Celebrating its 30th anniversary throughout 2015, Pioneer is a proud family owned and operated business headquartered in Arizona. The local Pioneer team is focused on ensuring the rights of one's property are clear, and the transfer of title is completed in a timely fashion, with the utmost professionalism. For more information, visit [www.ptaaz.com](http://www.ptaaz.com).*