

# Title insurance and the home-buying process



***Title insurance probably isn't something you think about every day.***

Just like car or homeowner's insurance, title insurance is designed to protect individuals from catastrophic financial loss. While homeowner's insurance protects physical assets, title insurance protects an invisible, but equally important, asset: the right to own your home free and clear of any hidden problems.

Despite its importance, many home buyers aren't aware they need to buy title insurance until closing time. They're often surprised to learn they need title insurance and that they'll have to pay for a policy as part of their closing costs.

With so much mystery surrounding title insurance, it begs the question: What is title insurance and how does it factor into the home-buying process?

## **What is title insurance, and why is it needed?**

What would you do if you purchased and moved into a house, only to find out three months later that the previous owner's niece is claiming it's *her* house and she's got a lost will to prove it? What recourse do honest home buyers have in a situation like this?

### **That's where title insurance enters the picture.**

Title insurance is a special type of insurance that protects against hidden problems with a title that might arise after a house is sold. Due to the complexity of real estate transactions, the list of possible title issues is extensive: record-keeping errors at the clerk's office, unknown liens against a property, unpaid taxes, missing heirs, as well as outright fraud and forgery of documents.

Some of these problems may not be found until long after the closing papers have been signed and buyers move in.

While not common, title issues could lead to serious financial loss or being forced out of a property. These include properties bought in good faith, where protocols were followed “to a T” by everyone involved.

## **Is title insurance always necessary?**

Yes. Lenders require borrowers to carry title insurance to protect their financial interests. Homeowners can also purchase their own optional policy separately. Each type of policy covers different circumstances and dollar amounts.

There's been some debate recently about title insurance. Many home buyers don't fully understand the value of title insurance, while some financial professionals may wonder how valuable it continues to be. But these questions don't dismiss the value of title insurance when a buyer needs to call on their title insurance policy.

While the actual number of title-related claims is relatively small, the real estate and land recording process is not always an accurate one. Title problems can arise, and when they do, they can be staggeringly expensive, time-consuming, and stressful to resolve.

## **Consider this scenario based on a real-life story:**

Jared and Sonia had just barely settled into their dream house when their attorney called them with some unpleasant news: There was a pre-existing

lien on the house from the previous owner. And because they were the new owners, the lien was now theirs. Turns out the county clerk had filed the previous owner's loan paperwork in the wrong place, and it got overlooked.

Thinking their lender's title insurance covered them, they didn't bother to purchase a homeowner's policy. Unfortunately, the lender's insurance was of no help because it was a homeowner's issue. This oversight ending up costing them \$2,000 to pay off the lien. In this case, they were lucky. What if the lien was for \$50,000 or \$100,000 instead? Jared and Sonia shudder to think of the possibility.

Again, the chance of title problems are relatively rare, but when they do happen, having title insurance can mean the difference between a straightforward resolution or a nightmare that drags on for weeks, months, or years.

## **What is the best approach to getting title insurance?**

Getting title insurance is a two-part process. First, a thorough search of a title's history is undertaken to discover any errors or encumbrances. Once that's completed successfully, the title insurance policy is underwritten.

You have a couple of options when it comes to purchasing title insurance. You can either buy it through a title company or use a larger title and escrow agency. However, there are additional benefits with going to a larger agency that can handle more than just your title insurance.

## A title and escrow agency can:

- **Work as your escrow partner and closing agent.** The agency can handle all aspects of your real estate transaction including the execution of critical documents, funding of loans, and signing of paperwork.
- **Help you stay on top of everything.** An agency that offers centralized processing through technology makes it easy to access your documents online and stay on top of the different steps of the real estate transaction.
- **Help you save money.** With a larger agency, you often can get the most competitive price on a title insurance policy.

A large full-service agency can make transactions easier and smoother for both the lender and the borrower. This helps to ensure more accurate and efficient handling of important documents, saving time and money for everyone involved. It can also mean a faster close.

If you're ready to take the next steps toward finding a title and escrow partner, keep us in mind.

At Timios, our goal is to provide lenders and their clients with a fully transparent and empowered experience from start to finish. Our simple, centralized approach provides custom support and 24/7 access to files throughout the entire home-buying or refinancing process.

And, our [closing cost calculator](#) provides guaranteed closing costs at the time of calculation, so buyers know exactly what their closing costs will be—even before applying for a loan.

Please visit [our site](#) to learn more about the title and escrow process and how Timios can step in and help.