

## WHY DO I NEED TITLE INSURANCE?

Title Insurance is an insurance policy or contract issued by a title company. It protects the purchaser from a claim or loss due to an undiscovered title issue or issues. In addition, the title insurance company agrees to defend the purchaser in court if there is an attack on the title. It will cover attorney and court expenses or pay a loss caused by the issue, depending on the policy type.

### What Policies Are Available To Me As A Homeowner?

There are two types of title insurance policies you should be aware of:

#### Mortgagee's Title Insurance policy

Most property owners mortgage or borrow money for the purchase or at some time during their ownership. In addition, lenders know that many things can cause loss of title and that significant expenses can be incurred while defending a claim. The lender will expect protection of its investment against loss and will require a Mortgagee's Title Insurance Policy to protect their stockholders' and investors' investment.

#### Owner's Title Insurance policy

An Owner's Title Insurance Policy protects your investment (equity) as the buyer or owner of the property. As the owner, you will want the same assurance as the lender that the investment you have made cannot be lost because of a problem or defect with the title.



## WHAT ARE THE RISKS?

There are numerous defects or problems that can arise and lead to a claim or loss of the title to your property. Some of these include problems not disclosed by the most careful search of the public records during the title search performed when you purchased the property. Hidden risks can cause a total loss of your investment or heavy legal expenses.

Some title problems may show up months or even years after the original purchase of the property. The following are examples of matters that can cause loss of title or an expensive lawsuit:

- Forged deeds, releases, wills or other legal documents
- Failure of spouses to join in conveyances
- Undisclosed or missing heirs
- Deeds from minors, aliens or persons of unsound mind
- Errors in indexing of public records
- Liens for unpaid taxes including estate, inheritance, income or gift taxes
- Erroneous reports furnished by tax officials
- Mistakes in recording legal documents

### How Does Title Insurance Protect Against These Hidden Risks & Defects?

Title Insurance defends you during a lawsuit attacking your title and either corrects the title problem or pays you losses up to the face amount of the policy.

The title policy guarantees that when the deed was filed, the title was free of defects, apart from those "excepted to" in the policy. The policy does not guarantee an actual amount of land. It guarantees that there are no buildings or other improvements belonging to someone else located on the insured land when an acceptable survey is furnished to the title company.

## How Do I Obtain Title Insurance And What Does It Cost?

Simply inform the title company or agent handling the closing of your property that you want to purchase an Owner's Title Insurance Policy.

In New York, the premiums for title insurance policies are regulated by the state insurance department. You only pay the premium once. The cost depends upon the purchase price of the property, and your policy amount must be equal to the purchase price. Your title representative will quote you that price either upon your inquiry or at the time of closing.

### Isn't Purchasing Both the Owner's & Mortgagee's Policies a Double Payment or Duplicate Coverage?

No, it's not a double payment or duplicate coverage. The Mortgagee's Policy protects the lender's interest only so long as the loan is outstanding and only in the amount of the balance of the loan at any given time. The Owner's Policy protects you up to the face amount of the policy during your ownership and after you have sold the property, if you have warranted the property to the subsequent buyer.

When coverage for both Owners and Mortgage Policies are being issued pursuant to the same closing, the Mortgage Policy shall be issued at a reduced rate known as the Simultaneous Mortgage Rate. Title insurers generally offer a simultaneous issue rate whereby the mortgagee insurance is sold at a discount in addition to the owner's insurance. The Owners Policy is charged at the full Owners Rate and the simultaneous Mortgage Policy is charged at 30% of the applicable Mortgage Rate up to the amount of the Owners Policy. Any excess is charged at the full Mortgage Rate.

If you buy your Owner's Policy separately, you pay the full premium for the policy. Likewise, if you refinance or borrow additional money later on, you can expect to pay additional premiums for the new policies, if required.

