

WHY TITLE INSURANCE?

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. It has worked so well to protect buyers and lenders against defects in legal ownership that it is spreading around the world, with Stewart Title as a primary stimulus of that global growth.

Therefore, while the title industry closes the transaction, handles the escrow and records the documents, it also works to make the title searches even faster, better and more cost-effective.

Why you need title insurance.

Other types of insurance coverage focuses on possible future events and charge an annual premium – such as flood insurance or hazard insurance. Title insurance protects an owner and a lender against loss from hazards and defects already existing in the title and/or ownership of the property and is purchased with a one-time premium.

Title search and examination is the first step.

Insuring a home's title begins with a search of public land records affecting the property. The title agent working on behalf of the underwriter examines pertinent documents to determine whether the property is insurable and what will be required to insure a transfer or a loan. Those documents include, but are not limited to, deeds, deeds of trust, wills, trusts, outstanding mortgages and judgments, property liens, easements and restrictions, highway or utility line easements, pending legal actions and other items of record.

Title problems discovered during the search process should be corrected, whenever possible, to avoid future concerns.



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What if a problem is hidden or missed?

After all this searching and examination, a title problem may still be hidden or missed, such as:

- A forged signature on a deed or reconveyance of a deed of trust
- An unknown heir who steps forward to claim ownership of the property
- An expired or forged power of attorney used during a property transfer
- An incorrect or mis-indexed public record document

In each of these cases and many more, when there is appropriate title insurance coverage, a policy may offer financial protection. When applicable, the title insurer defends the title and either perfects the title or pays valid claims.

Why do lenders need it?

Lenders require the homeowner to purchase title insurance for the lender, just as lenders call for fire insurance and other types of coverage to protect the lenders' financial investment in the property. A lender's title insurance policy insures the validity of the lender's lien securing the real property. In addition, lender's title insurance is required for lenders who package and sell their loans in the secondary mortgage market.

For the homeowner to be covered, he or she must purchase an owner's title insurance policy in addition to the required lender's policy. Who pays for the owner's title insurance policy varies across the state.

A separate owner's title insurance policy is the best policy.

Owner's title insurance lasts as long as the policyholder or his or her heirs have an interest in the property. When owner's title insurance is purchased at the same time as a lender's title insurance policy, the charge for the lender's policy is a significantly smaller amount (referred to as a simultaneous issue charge).

Contact us for more information.

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