



STEWART BRIEF

Why do lenders require title insurance when refinancing your home loan?

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Most lenders sell their loans to the secondary market investors, such as Fannie Mae®, almost immediately after your loan closes. Fannie Mae requires title insurance coverage in order to protect its security interest in the loan. Even lenders who choose to keep and service their loans are wise to get a lender's policy to protect their investment against title related defects.

Why does the lender require that I purchase a new title insurance policy when I refinance my loan?

As far as your lender is concerned, a refinance loan is no different than any other home loan. Your lender wants to ensure that their new loan is protected by title insurance, just as the original lender required when you purchased your home. Thus, when you refinance your loan, you are purchasing a title insurance policy to protect your new lender.

What about the original title insurance policy I received when I purchased the home?

When you bought your home, you were issued a homeowner's title policy. The homeowner's title policy remains in effect as long as you (or your heirs) own the home. When you refinance your current loan, the lender will require that you buy a new lender's policy of title insurance, to protect their secured interest. This is different than the homeowner's title policy you already have on your property.

Do you offer any discounts for title insurance on a refinance transaction?

Yes. Many title companies offer a refinance transaction discount, or a short-term rate. Discounts may also be available if you are refinancing with the same lender you have now. Call your title company to find out which discounts may apply to you and your situation.

What could possibly happen to warrant a new lender's policy?

Since the issuance of the original policy, several things could have taken place. For instance, you may have taken out a second trust deed. A mechanic's lien, child or spousal support lien, or legal judgment could have been recorded against you. There are a number of occurrences that could have resulted in serious financial losses to an unprotected lender. Regardless how much time has passed since the purchase of your home, a multitude of title defects could have occurred. While you may not have any title defects, there are many homeowners who do. The only way for the lender to protect itself is to require you to purchase a new lender's policy of title insurance each time you refinance your home.

Contact your Stewart Title of California representative for more information.

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