

# The Title Company's Role



The purchase of a home is often the largest single financial investment many people may make in their lifetime. The importance of fully protecting such an investment cannot be overstated. A basic home ownership protection essential to the security of the home is safe, sound, reliable title insurance.

## **What is Title Insurance?**

It is the application of the principles of insurance to risks present in all real estate transactions. These risks are divided into two main categories: hidden hazards that cannot be detected in the examination of title, and human errors which will always be with us. Examples of hidden hazards are forgery, incompetence of grantor or mortgagor, unknown heirs, fraud, impersonation, etc.

Title insurance differs from other types of insurance by protecting against future losses arising out of events that have happened in the past. There are no annual premiums. One premium, based on the amount of the sale or mortgage, is paid when the policy is issued and is good for the life of the policy. A lender's policy, insuring the lender, stays in effect until the loan is paid off. An owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property.

## **Preliminary Report or "Commitment for Title Insurance"**

The title company will search and examine the public records to investigate information surrounding title to the property. The title search is used to create a Preliminary Report provided to the lender or purchaser before closing, and reveals the following:

- Who the legal owner of the property is
- That the "estate" or degree of ownership being sold is currently and accurately vested in the seller
- Property tax status and other public or private assessments
- The presence of any unsatisfied mortgages, judgments or liens that must be satisfied before "clear title" can be conveyed
- Existing easements, restrictions, rights of way or other rights granted to others

## **Teamwork**

The title company is involved in the real estate transaction almost from the time the purchase agreement is signed, through and beyond the closing. Working mostly behind the scenes, but always in close coordination with real estate agents, escrow officers, lenders, and legal counsel, the title company strives to carry out an important, complex procedure in an efficient and professional manner.

Information deemed reliable but not guaranteed.

