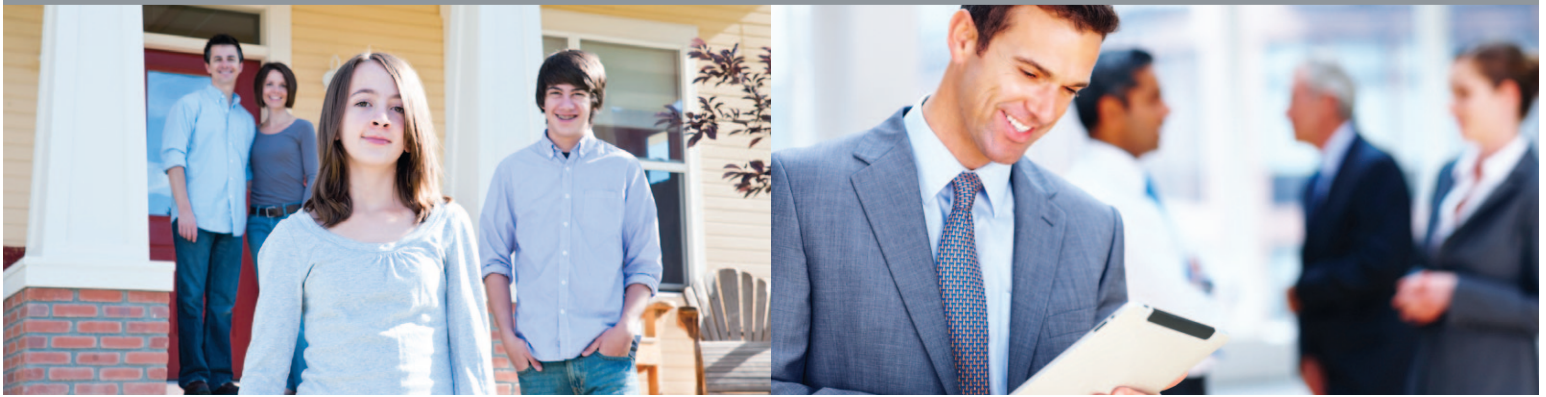


# Title Insurance Vital to Protecting Homebuyers



As recently as this summer, some questioned the use of title insurance, suggesting it was an unnecessary expense when purchasing a home. Yet over the last few months, reports that paperwork in the foreclosure process could be invalid have raised questions about the validity of title to foreclosed properties and sparked fear that homeowners who purchased in good faith could possibly lose their home.

Today more than ever, consumers are reminded that in order to have peace of mind, they should purchase an owner's title insurance policy whenever they buy a home. This is especially true when buying a property that has been foreclosed. Anyone who purchased an owner's title insurance policy when they acquired a foreclosed property will be protected if ownership issues arise due to a lender's foreclosure documentation practices. An owner's policy provides assurance that your title company will stand behind you if a covered title problem arises after you buy your home. The bottom line is that your title company will be there to pay valid claims and cover the costs of defending an attack on your title. Title insurance compensates and provides legal representation to real estate owners and lenders against any financial loss that might arise because of undiscovered liens, encumbrances or defects in the title to the property. These defects can result in total losses, where a defective foreclosure or forgery means legal title is not actually conveyed, or they can result in partial losses where a neighbor's garage or fence encroaches on the insured property.

There are two basic types of title insurance policies. A lender's policy, usually based on the dollar amount of the loan, protects only the lender's interests in the property should a problem with the title arise. Similarly, an owner's policy, usually based on the home's total purchase price, protects only the homebuyer's interests in the property should a problem with the title arise. An owner's policy will provide protection against ownership challenges, errors or omissions in deeds, mistakes in examining records, missed liens, forgery and undisclosed heirs, among other things.

Unlike most other types of insurance, you pay a one-time premium at the time of your home purchase for coverage that continues as long as you or your heirs own the property.

An example of how an owner's policy protects homeowners occurred in Texas earlier this year. A homebuilder was charged with defrauding first-time homebuyers by selling houses that were encumbered by undisclosed liens. When the builder subsequently failed to pay the debt, the creditors who were owed money started foreclosure proceedings and filed lawsuits against the home buyers. The developer sold the properties without home buyers realizing that their new houses were subject to undisclosed liens because they did not purchase title insurance. An owner's policy would have paid to settle the dispute and covered any associated legal fees.

