



IS **TITLE INSURANCE** ON A NEWLY CONSTRUCTED HOME **NECESSARY?**

Some buyers of newly built homes may assume that because they're buying a home that no one else has ever owned, title issues shouldn't be a problem. However, title insurance is critically important to buyers of both new and resale homes.

Potential Title Issues

- Some of the more common potential title problems with newly built homes are related to the legal ownership of the land on which the home is built and to mechanic's liens. In a brand new subdivision, you need to make sure the land was properly subdivided and that your home is on the correctly identified lot in the subdivision so that there's no question of ownership in the future.
- While your house is new, the land it's built on is not, so it's possible to have a third party make a claim on the property.
- The first owner can be more at risk for title defects than subsequent owners because it's the first time the title has been reviewed since the land was purchased.

For example, a piece of land owned by multiple family members may have been sold to the builder without the permission of one of the owners; that owner can make an unexpected title claim if they didn't initially know about the sale.

Lender's Title Policy vs Owner's Title Policy

- **A lender's title insurance policy** is issued in the amount of the loan and assures the lender of the validity, priority and enforceability of its mortgage, and protects the lender's security interest in the property. Liability decreases as the mortgage debt is reduced, and this policy does not protect homeowners.
- **An owner's title insurance policy** is typically issued in the amount of the real estate purchase price and remains in effect for as long as the owner, or his or her heirs, retains an interest in the property. It identifies potential risks before a transaction is completed. In the event a claim is discovered, the owner's policy will cover it, as well as court costs and related fees.

Contact us with any questions:

Unlike other types of insurance, the purchase of an owner's title insurance policy is a one-time event; there are no future premiums to pay as long as you or your heirs hold an interest in the property.