

What is Title Insurance?

When a person purchases a home, they receive a title to the property. This means that they receive full legal ownership of that property. However, in some cases, there can be hidden defects in a prior deed, will, or mortgage, which may give another person a valid legal claim against the property. Liens can be filed against a property causing the title to become defective. A defective title may take away the house and the land on which it is located. Title insurance protects you against such loss.

Why should I purchase title insurance?

Generally, insurance is considered to be the payment of a loss due to the occurrence of some future event. Title insurance is a unique as it provides coverage for future claims or future losses due to title defects, which are created by some past event. These risks are far less obvious than those protected by most other forms of insurance, but can be devastating and very costly to the owner of a property.

Below are 10 examples of instances where a person would need title insurance:

- A mortgage is recorded prior to the filing of a foreclosure. Said mortgage is not listed in the foreclosure complaint and therefore not extinguished by the foreclosure case. As a result the title becomes defective which could affect the subsequent owner's ability to sell the property.
- A deed or mortgage may have been acknowledged by a person that was incompetent, lacked capacity or did not have legal authority to sign those documents.
- A person, other than the owner, committed forgery or impersonation, and acknowledged a deed or mortgage.
- The testator of a will might have had a child born after the execution of the will, a fact that would entitle the child to claim his or her share of the property.
- A deed or mortgage may have been made under a power of attorney after its termination and would, therefore, be void.
- A deed or mortgage may have been procured by fraud or duress.
- Title transferred by an heir may be subject to a federal estate tax lien.
- An heir or other person (co-owner, spouse, corporate officer or business partner) may appear and recover the property or an interest therein.
- A lien, such as a judgement lien, tax lien, state or federal lien was not disclosed on the title abstract of the property.
- The property had more than one parcel attached but at time of transfer one of the parcels was erroneously omitted from the deed or mortgage.