



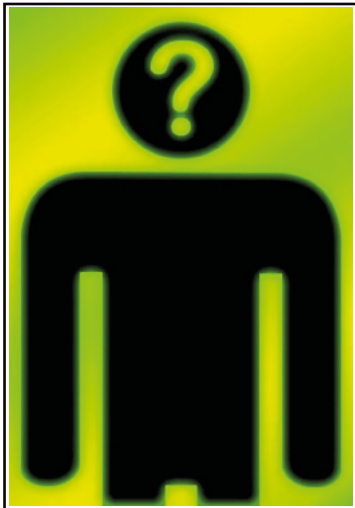
**John Rice**  
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# Real Estate Advisor

## Title Insurance *Who Owns What?*

**Owning a home is one of the most important parts of the American dream, but having the deed to a piece of land does not necessarily mean the property is yours free and clear.**

Other people may have certain prior rights or claims that your deed will not erase. Such rights can go back all the way to the earliest owners of your new property. In order to protect your investment, you may consider purchasing title insurance.



There are two types of title insurance policies that may be purchased at the time a property changes from one owner to another: an owner's policy and a lender's policy. Both the owner's policy and the lender's policy protect the named insured against an unknown defect in the title of property.

A defect may mean you could incur additional costs in the future or even lose legal title to the property if the defect is not resolved before you take possession.

If you have a title insurance policy, the insurance company will defend your title in court and pay any settlement amount you owe to clear the title, as long as it is a covered item.

### **What owner's title insurance covers**

**Most likely there are no hidden risks connected to your new property. However, such risks do exist, often as a result of errors made during past title transfers.**

If an error occurred but is not discovered until you buy the property, you may face a hidden risk and your ownership of the property could come into question. Owner's title insurance protects you from such errors, as well as:

- Protects you from financial loss due to covered claims against your title, up to the face amount of the policy.
- Pays your legal costs if the title insurance company is required to defend your title against covered claims.
- Pays successful claims against your title, up to the face amount of the policy.
- Continues protection after you no longer own the property.

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### **Here are a few of the most common hidden risks that can cause a loss of title or create an encumbrance on the property:**

- Forged deeds, releases, or wills
- Undisclosed or missing heirs
- Misinterpretations of wills
- Liens for unpaid estate, inheritance, income or gift tax
- False impersonation of the true owner
- Confusion caused by similar names
- Signatures of minors or persons who are not mentally competent
- Signatures of persons represented as single but who are actually married
- Errors in recording legal documents
- Clerical errors in public records
- Invalid documents executed under an expired power of attorney
- Fraud
- Invalid divorces
- Unpaid child support lien
- Unpaid taxes (local, state, federal)
- Unrecorded easements (rights of way)

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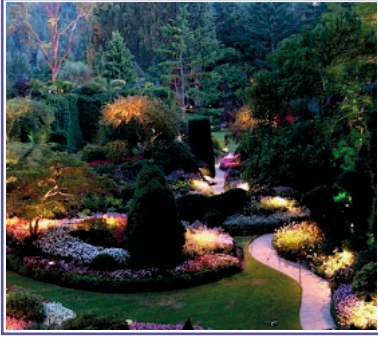
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# Title Insurance Tips

If you decide you want owner's title insurance, companies offer "simultaneous issue credit" as long as you buy the owner's insurance within 30 days of closing (and buying the loan policy).



Simultaneous issue credit decreases the amount of your premium. If the house you are buying was owned by the seller for only a few years, check with the seller's title company. You may be able to get a "re-issue

rate," because the time between title searches was short. If no claims have been made against the title since the previous title search was done, the insurer may consider the property to be a lower insurance risk. Look for an "owner's title policy" with as few exclusions from coverage as possible. Exclusions are listed in each policy, and if a policy has many exclusions-that is, situations under which the insurer will not pay for your title problems-you may end up with little coverage.

## Frequently Asked Questions

### What does a title insurance agent do?

Title insurance agents check for defects in your title by examining records on file at the Register of Deeds office. These records may include deeds, mortgages, wills, divorce decrees, court judgments, tax records, liens, and encumbrances. If any problems are found, those items will usually have to be cleared before the mortgage records on file at the Register of Deeds office. If any problems are found, those items will usually have to be cleared before the mortgage company will loan you the money or allow you to take possession of the property.

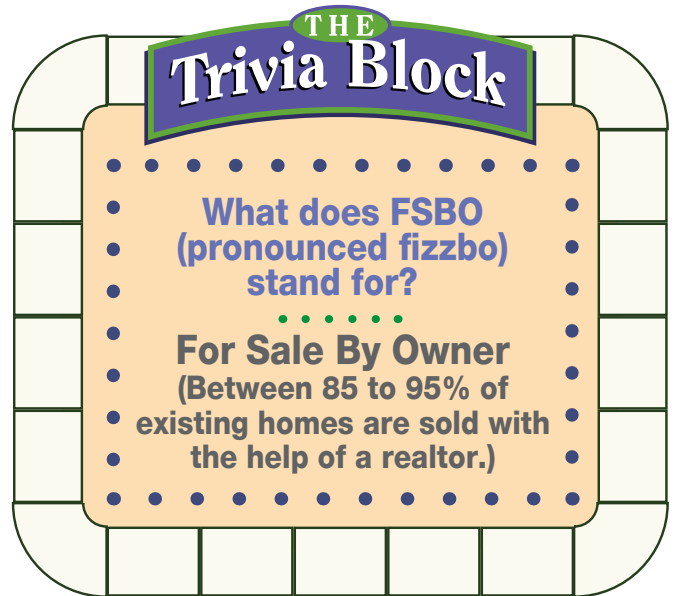
At the time of closing, the agent should explain the title policy commitment, and any exclusions found on pages

numbered Schedule A and B. Once all closing papers are signed and filed, the title commitment provides coverage until the title insurance company issues the actual policy. Title insurance agents also may hold money in escrow and perform closing services for an additional fee.



### Who pays for the policy?

Usually the purchaser of the property is required to buy the lender's title insurance policy. This policy only protects the lender's interest. Either the seller or the purchaser can buy the owner's policy. The party who will pay for the owner's policy can be negotiated during the purchasing process. The owner's policy protects you, the new owner of the property, from any defects in the title once you take possession.



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