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Title Insurers Fix Problems and Pay Claims

To Protect Homeowners and Lenders

Title insurance protects against hidden title hazards that may threaten a homeowner's financial investment in his or her home.
Other types of insurance coverage focus on possible future events and charge an annual premium – such as flood insurance or hazard insurance that safeguard against loss from fire, theft or wind damage. Title insurance protects against loss from hazards and defects already existing in the title and is purchased with a one-time premium.

Title search and examination is the first step.
Insuring a home's title begins with a search of public land records affecting the property. The title agent or attorney working on behalf of the underwriter examines pertinent documents to determine whether the property is insurable. Those documents include deeds, wills, trusts, outstanding mortgages and judgments, property liens, highway or utility line easements, pending legal actions and notary acknowledgements.

When title problems are disclosed during the search process, they are corrected whenever possible to avoid future claims. According to surveys done by the American Land Title Association (ALTA), title problems consistently arise in **one out of three** real estate transactions (36%).

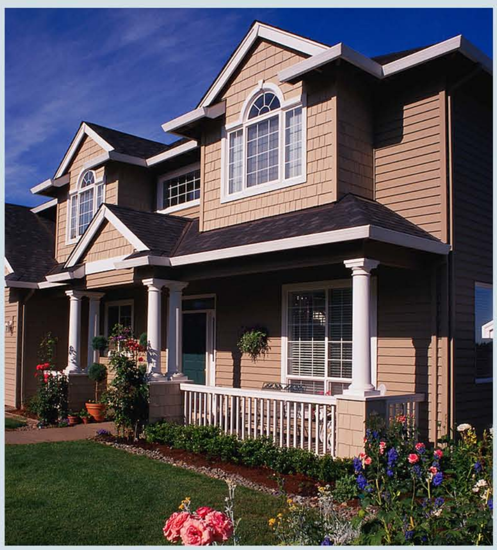
A corrective process is vital to curing title problems.
The process of performing title searches and curing title problems does not come cheap. Industry studies find that title insurers spend an average of 92 cents out of every premium dollar as their cost of doing business.

The most common actions to cure title defects include:

- Releases/pay-offs for liens
- Releases for deeds/mortgages
- Typographical corrections (names, addresses, legal descriptions
- Clearing estate/family issues
- Clearing physical property issues

What if a problem is hidden or missed?
After all this searching and examination, a title problem may still be hidden or missed such as:

- A forged signature on a deed
- An unknown heir who steps forward to claim ownership to the property
- An expired or forged power of attorney, used during a property transfer
- An incorrect public record



In each of these cases and many more, when there is appropriate title insurance coverage, a policy will offer financial protection. The title insurer defends the title and either perfects the title or pays valid claims.

Where does the money go?
Who gets the money? Payments go either to defend those titles from the claims of others, or to insured homeowners for losses they experienced under policies issued to them or their lenders.

Why lenders?
Lenders require the homeowner to purchase title insurance, just as they call for fire insurance and other types of coverage to protect their financial investment in the property. A lender's policy insures that the mortgage is valid and the lien priority is correct. In addition, title insurance is required for lenders who package and sell their loans in the secondary mortgage market.

For the homeowner to be covered, he or she must purchase an owner's policy in addition to the required lender or mortgagee policy.

A separate owner's policy is the best policy.
Owner's title insurance lasts as long as the policyholder or his or her heirs have an interest in the property – maybe even after the homeowner has sold the property.

Why title insurance?
Title insurance was born in 1871 to enable speed and efficiency when property is conveyed. Because of title insurance, real estate is more marketable and thus more valuable. It has worked so well to protect buyers and lenders against defects in legal ownership that is spreading around the world.

Therefore, while the title industry in many states closes the transaction, handles escrow and records the documents, it also works to make title searches even faster, better and more cost-effective. The role of title insurance to fix problems and pay claims is crucial to the marketability of real estate.

S9-17 03/08