

## **DO I REALLY NEED TITLE INSURANCE?**

If you are planning to purchase a home, chances are you will need to buy title insurance. What exactly does title insurance cover, and who does it protect – the homeowner or the lender? Do you need title insurance on a refinance if you bought title insurance when you purchased your home, or refinanced six months ago? Here are answers to those important questions, as well as helpful advice on title insurance and why you need it.

**Title insurance seems like just one more expense I have to pay when I buy or refinance a home. What exactly does it cover?**

Title insurance protects against problems affecting the title to your home, possibly your most valuable asset. There are two types of title insurance – a lender's policy, and an owner's policy. When you obtain a loan, (and a refinance is a new loan), the lender usually will require that you purchase a lender's title policy to protect their investment in the property. Owner's title insurance is optional, but it protects the homeowner by paying claims and legal fees should a problem arise. You usually only purchase an owner's policy at the original sale, not on a refinance. Although an owner's policy is not required, the State of Tennessee Department of Commerce and Insurance requires the purchaser to sign a waiver should you decide not to purchase an owner's policy.

**Having a serious problem with my title seems rather remote. Is title insurance really necessary?**

Title companies find problems in 25% of their title searches. Problems such as liens from unreleased mortgages, unpaid child support, alimony, parking tickets, and taxes or from unpaid subcontractors. Other things that can cloud title that are not so easy to detect include forged signatures in the chain of title, recording errors, title search errors, undisclosed easements and title claims by missing heirs and/or ex-spouses. For this reason, title insurance is highly recommended.

**I paid for a lender's title insurance policy. Does that protect me as the homeowner?**

No. A lender's policy protects the lender's interest in the property should a problem arise. It does not cover the owner's equity in the property, and will not pay the homeowner's legal expenses if there is a problem. Only an owner's title insurance policy will protect the homeowner.

**If I purchase title insurance when I buy my home and I refinance my mortgage later, why do I need to pay for title insurance again when I know there are no problems with my title?**

As mentioned previously, when you obtain a new loan, (and a refi is a new loan), the lender usually will require lender's title insurance. Even if you recently purchased your home there are some problems that could arise with the title. For instance, you might have incurred a mechanic's lien from a contractor who claims he/she has not been paid. Or you could have had a judgment placed on your house for unpaid taxes. The lender wants to make sure the title to the property they are financing is clear.

Also, ask if you qualify for a "reissue" or refinance rate – a discount – on your new lender's title insurance. You will not need to purchase new owner's title insurance when refinancing. Owner's title insurance is purchased for a one-time fee at the original purchase and lasts as long as you or your heirs have an interest in the property.

**Are all title insurance rates the same? How can I be sure I am getting the best deal?**

Rates for title insurance vary from company to company and within different areas/counties of the state. All rates are filed with the State of Tennessee. And there may be variations depending on the lender you work with. Ask for a recommendation for a title company from your real estate agent, lender, friends and family to find one that others have been satisfied with. Again, if you are refinancing and purchased title insurance within the last several years, ask if there are special discount rates available.

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