

Commissioner's Corner: Title Insurance Protects Your Home Investment Against Unknown Title Defects

“Most home buyers are familiar with various types of insurance such as auto and life, but are unaware of what title insurance is, and the role it plays in real estate transactions. Understanding title insurance and how it works is an excellent way to feel secure in the home buying process.”

– **Kim Holland**, Oklahoma Insurance Commissioner



If you borrow money to finance the purchase of a home or property, you will likely be required by your lender to buy a title insurance policy. As a consumer, it is in your best interest to be well-informed about title insurance, how title insurance works and key areas to be addressed when purchasing title insurance.

What is Title Insurance?

Title insurance can help provide the home buyer and/or the mortgage lender necessary protection against losses resulting from unknown defects in the title to your property that occur prior to the closing of a real estate transaction.

Unknown defects in a title, such as any outstanding liens on the property or encumbrances, can result in additional costs in the future or even invalidate a home buyer's right of ownership in the property and might also invalidate the lender's security interest in the policy. Title insurance policies will cover the insured party for any covered losses and legal fees that might arise out of such problems.

How Does Title Insurance Work?

A title policy is usually paid for with a one-time premium that is handled at the closing of the real estate transaction. Title insurance policies typically protect against losses arising from events that occur prior to the date of the policy, which is the date of closing. This is unlike other types of insurance policies which

protect against losses resulting from accidents or events that occur after the policy is issued.

Who Needs Title Insurance?

Lenders — If a mortgage is obtained in order to purchase property, nearly all lenders require that the home buyer purchase the lender's title insurance policy for an amount equal to the loan. A lender's policy is issued to a mortgage lender and protects the lender from losses arising from any unknown defects in the title that is discovered after the insured property has been financed. The lender's insurance policy remains in effect until the loan is repaid, or the property is resold or refinanced.

Owners — Either the home seller or the home buyer may buy an owner's policy. The party paying for the owner's policy can be negotiated during the purchasing process. An owner's policy is issued to a home buyer and provides the home buyer protection from covered losses arising from any previously unknown defects in the title that existed at the time of purchase, and became known only after ownership of the property was acquired. An owner's policy remains in effect as long as you own or maintain an ownership interest in the insured property.

Key Points to Remember

- Although a title insurance company will most likely be provided for you during the mortgage transaction process, be aware that you have a choice about which title company to use.
- Ask about fees included in the title insurance premium and any fees (e.g., cost of search and examination, closing services, etc.) that may be charged to you separately.
- A lender policy only covers a lender's loss; that is, it does not protect the home buyer from losses arising from defects in title. Consult with a local real estate attorney to find out if it is in your best interest to purchase an owner's title insurance policy.
- Ask about any discounts available on title insurance policies. Premium discounts might be available if both owner's and lender's policies are purchased from the same title insurance company or if you are refinancing your loan.
- Read all title insurance documents provided at closing, including the fine print. Ask questions if any items are unclear or if any terms, conditions or amounts are not in line with those provided in previous discussions.
- If you believe that the title agent or title company in a real estate transaction is not following standard business practices – including unexpected or undocumented fees, report the activity to the Oklahoma Insurance Department at (800) 522-0071.

For more information about title insurance in your state, please contact the Oklahoma Insurance Department at (800) 522-0071.