

# DFCU Financial Title Agency – FAQ

## What is Title Insurance?

Title Insurance is the modern method of real estate title protection. A policy of title insurance protects the insured against a partial or total loss arising out of defects, liens and encumbrances in the title to real estate.

## Why do I need Title Insurance?

Any interest in land must be recorded in the public records if the holder of that interest wants to be protected. Once it has been so recorded, all subsequent parties are presumed to know of its existence, since it is on the public record for all to see.

Therefore, the public records must be thoroughly searched in order to determine the ownership of any piece of land at any given time, and in order to know whether there are any mortgages, liens or other encumbrances outstanding against it.

Out of millions of documents on record, it is imperative that a prospective buyer or lender find all those which affect the title to his/her particular parcel. A Title Agency can make a thorough search of the records in a fraction of the time it would take a layman and certify their findings to the prospective buyer or lender.

## What is the difference between an Owner's Policy and a Mortgage Policy? Why do I need both?

An Owner's Policy protects the interest of the owner of real estate and lists the name(s) of the new buyer as the insured party. As the new buyer, you will want assurance from the seller that the title is marketable and free from liens that could create problems in the event you should decide to sell or refinance the property in the future.

A Mortgage Policy protects the interest of the mortgage lender and lists the lender as the insured party. All lenders require the borrower to provide proof and assurance that the loan being applied for will be in the correct lien position.

### *The Difference*

The Owner's Policy is always in the full face amount thereof, and continues as long as the owner or his/her heirs have an interest in the property, while the Mortgage Policy protection terminates immediately when the loan is paid off.

NOTE: In this area it is customary for the seller to incur the cost of the Owner's Policy and the buyer to incur the cost of the Mortgage Policy.

## **What is the cost of Title Insurance?**

The cost depends upon the face amount of the policy issued. Only one premium is paid and the protection lasts as long as the insured has any interest in the property.

When an Owner's Policy and Mortgage Policy are issued simultaneously on the same land, special reduced rates are applicable.

## **What defects are insured against?**

Your title policy will protect you against any defects, not excluded from the coverage of the policy, which cause actual loss or unmarketability of title. Such defects include errors in description, errors in searching the public records, unpaid taxes, legal incompetency of parties, fraud, forgery, outstanding dower rights, defects in the execution of instruments, and many others.

## **How am I protected if a claim arises?**

Under the terms of your Title Insurance policy, the title insurance company will, at its own expense, defend you against any adverse claims or legal action arising out of any encumbrance or other defect insured against, and will also indemnify you against any loss resulting therefrom up to the face amount of the policy.

## **If I have Title Insurance do I also need legal advice?**

YES. The Title Insurance policy does not take the place of legal counsel. In every real estate transaction there are many matters not covered by your policy which require the advice of an attorney. The coverage of the policy itself, and the specific exclusions therefrom, your rights and obligations as a seller or purchaser, the tax consequences of your transaction—these and many other issues should all be fully discussed and explained by a qualified attorney.