

THE VITALS ON TITLE INSURANCE

What you need to know

Buying your home is likely one of the largest investments you will make and a decision that can impact your finances for years to come. It is important to learn about how you can protect your investment from potential title defects or liens. The Idaho Department of Insurance offers insight on this type of coverage.

What is title insurance?

Title insurance is an insurance policy that covers you if title problems come up after you buy or refinance a property. Possible complications include lost, forged or incorrectly filed deeds, property access issues and liens on a property.

For example, if there is an unpaid mortgage on the property you just bought, you may be held responsible. Without title insurance, you might have to pay legal costs to settle a dispute. If you lose a dispute, it could cost you money, the equity you have in your home, and perhaps even ownership. Title insurance is designed to cover associated legal costs to settle the dispute and/or to resolve the problem.

When purchasing real estate, your lender will likely require title insurance. The coverage allows the lender to sell the mortgage to their investors and keep more money available for other loans.

Where can I buy title insurance?

You can buy title insurance through a licensed agent who sells title insurance for a title insurance company. Title agents are licensed by the Idaho Department of Insurance to sell title insurance in a particular county. For a list of licensed title agents in your county, contact the Idaho Department of Insurance, <http://www.doi.idaho.gov/insurance/ATypeList.aspx?Type=TA&nopages=YES&sort=County>

What are my rights when buying title insurance?

You are not required to use the suggested title agent, company or closing agent. **You have the right to shop for and choose your provider of title insurance and settlement services.** You will need to know the purchase price to make price comparisons on title services and closing costs; however, you can still search for licensed title agents and insurers and make a list of questions to ask them prior to signing a contract. Be sure to ask what services and costs are included in the title premium as well as any costs charged separately. Ask whether you qualify for any discounts.

Some title agents and insurers may be affiliated with lenders, real estate companies, developers or home builders. Ask the person making the referral if his or her company is affiliated with the recommended title insurer. **Federal and Idaho state laws require that affiliated relationships be disclosed in writing.**

Types of policies

There are two types of title insurance policies: owner's and lender's.

An owner's policy protects you for the full price of your home plus legal costs if a title or ownership issue arises after you buy your home. This type of policy is issued for the amount you paid for your home, and will cover you as long as you own an interest in the property. You are not required to purchase an owner's policy.

An enhanced owner's policy, which has a higher level of coverage than a standard owner's policy, may also be available in your area. Enhanced owner's policies cost more than a standard owner's policy because they cover extra risks, including coverage after a property has been transferred.

If an owner's policy or an enhanced owner's policy doesn't cover a specific issue, often you can add specific coverage, known as a policy endorsement. For example, if you are buying a new home and the owner's policy doesn't cover claims filed by a contractor (often known as a mechanic's lien), you can add a policy endorsement to ensure you are covered if the prior owner failed to fully compensate the contractor. Some endorsements are free while others cost an additional rate.

If you borrow money to buy your home or property, your lender is likely to require you to buy a lender's policy. A lender's policy only protects the lender if a title or ownership problem comes up after the property is purchased. A lender's policy is issued for the amount of the mortgage, and the coverage decreases as you pay down your loan. Unlike an owner's policy, the lender's policy ends when you pay off your mortgage. You may be expected to pay the premium for this type of coverage.

Because a lender's policy only protects the lender from title problems, you may want to consider an owner's policy to protect your interests.

More information

For more information about title insurance in Idaho or if you believe you have been treated unfairly, contact the Idaho Department of Insurance, <http://www.doi.idaho.gov/consumer/complain.aspx>.

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