

# Owner Title Insurance

*How it protects your equity*

Buying a home? Speak with an attorney.



## Your title may have some very expensive strings attached.

Just imagine, you close on your new home. You move in. All seems well. Then one day the doorbell rings. It's a contractor who performed work on the property prior to your purchase. The problem is, he was never paid in full and has placed a Mechanic's Lien on your interest in the property. To make matters worse, the lien was never discovered during the title search because a land record clerk indexed the paperwork incorrectly. Suddenly, you must defend your claim as clear holder of the title to your land and everything on it. Unfortunately, at the time of closing, you had purchased a policy insuring the lender and had waived your option to purchase an Owner Title Insurance Policy. Your only choice may be to pay the amount of the lien to secure your interest in the title and attempt to recover the payment from the sellers.

This situation, and others involving unexpected claims against your title, are why Owner Policies exist. If you had an Owner Policy under these circumstances, you'd be covered against the legal and financial consequences resulting from a claim that jeopardized your ownership of the property.



## Knowing the difference between your deed and your title.

The difference between the deed to your property and the title is this: your deed is evidence of the transfer of title to you, but the title is the property's legal history. Titles can have long histories and more than 50 problems that cannot be discovered by a title search.



## Your lender may be insured. But are you?

Most mortgage lenders require you to purchase a Mortgagee Title Insurance Policy in their name. A lender does this to protect its financial interest in your property and to insure the validity of its mortgage as a lien on your property. But the policy you buy for your lender does not cover you. That's why it's important to have an Owner Title Insurance Policy.

\* The explanation of coverages in this brochure is for informational purposes only. For a detailed explanation, please consult your title insurance policy or ask your attorney.

## How your Owner Title Insurance protects your equity.\*

**I**n the Mechanic's Lien scenario previously described, the Mortgagee Policy would protect only the lender, and only if the lender has incurred or sustained a loss or damage as a result of the title problem. Most lenders require borrowers to invest 10 to 20 percent of the cost of the home. This is the owner's equity. If the owners purchase their home for \$200,000 and have a \$160,000 mortgage, they have \$40,000 equity in their home. Therefore, if a Mechanic's Lien existed for \$10,000, and the owners had \$40,000 of equity in their property, 100 percent of the lien would be paid by the owners, unless they have purchased an Owner Policy. The Owner Policy insures the entire value of the property, whereas the Mortgagee Policy only insures the value of the mortgage. This is why the Owner Policy costs slightly more than the Mortgagee Policy.

## Coverage for as long as you own your property. And beyond.\*

**H**ome buyers have the option of choosing the Standard Owner Policy or an Expanded Owner Policy that offers greater protection. Unlike other insurance, both the Standard and Expanded Owner Policies are paid for with a one-time premium, due at closing. The coverage under both the Standard and Expanded Policies continues in force as long as you have an interest in the property. Even after you convey the title by warranty deed to the new owner, you are covered if that owner makes a claim against you. Talk to your attorney. He or she can fully explain the coverage provided under the Owner Policy.

## Covering the cost of legal defense.

If the person claiming to have an interest in your property took legal action against you, your Owner Policy insurer would work to resolve the defect in the title. In the event the matter goes to court, your interest and financial position will be protected by the insurer.



## If the value of your property goes up, so does your coverage.

If you are the primary resident as well as the owner of your property, you can count on added protection when you purchase Owner Title Insurance. During each of the first five years of your policy, additional coverage is automatically added – at no cost to you. So your equity is protected beyond the value of what's covered in the original policy.

## Ask your attorney.

**R**Real estate transactions can be complicated, time consuming, and may involve some degree of risk. With an attorney at your side, you can stay both informed and protected. That's why your attorney is such a critical part of the process. When it's time to buy or sell real estate, always speak with an attorney.

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