

Title insurance: Important and cost-effective, but too often overlooked

In recent months, my law partner, Marlene B. Marshall, has informed you about several important issues when buying or selling a home, including the importance of negotiating the terms of a Purchase and Sale Agreement and the Mortgage Contingency Clause. Now it's my turn to help you understand another piece of the real estate puzzle — Title Insurance. Title insurance is one of the most important and cost-effective types of insur-



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Its tremendous protection, combined with the current

state of the real estate market, make it a good time for a title insurance primer.

I: What is title insurance?
If you've ever purchased a home you might remember the avalanche of documents you signed — some for the bank, some for the attorney, and many others that fly by in a haze of numbers and legalese. Hopefully, one of the things you did at the closing was purchase an owner's title insur-

II: What does it cover?

Title insurance provides legal and financial protection from hidden or undiscovered problems with the deed or title of your home, problems that could affect or threaten your ownership of the property.

When a covered issue arises, your title insurance company will clear up title problems or pay for your loss. The policy also requires the insurer to provide you with legal counsel to defend against attacks on your title, saving you what could amount to tens of thousands of dollars in legal fees.

III: What could possibly go wrong?

Imagine you purchase a home and the seller fails to disclose a previous mortgage and that mortgage also escapes discovery in the records kept by your local town or city clerk's office. Soon after, the bank associated with that undiscovered mortgage starts foreclosure proceedings against your home because the previous owner stopped paying that undiscovered mortgage. You don't have title insurance, and unless you can come up with the cash to pay off that old mortgage, your home is sold by the bank. If you had purchased a title insurance policy, the title insurance company would provide you with legal counsel to defend the foreclosure and, if necessary, pay off the mortgage so that you can keep your home. Think that's an unlikely scenario? You shouldn't, because it happened

right here in Rhode Island. I witnessed it firsthand and the title insurance company saved the homeowner from foreclosure. It saved the day and it saved the innocent homeowner from losing his home. And it could do the same for you.

An owner's title insurance policy also protects you against deeds executed by fraud or forgery, deeds that result from forged wills or invalid powers of attorney, deeds by persons of unsound mind, unpaid taxes and assessments, and mistakes in recorded documents. These are only some of the ways that your ownership of your home could be jeopardized by hidden defects. Obtaining an owner's title insurance policy protects you from these and other title problems.

IV: But my bank already has title insurance!

Most lenders require a lender's title policy when you purchase a home to protect the bank, but it doesn't protect you. You must obtain your own owner's title policy to protect your interests.

V: How much does it cost?

The cost of your title insurance policy will be determined by how much coverage you want, but most likely will be calculated based on the purchase price or appraised value of the property. Unlike many other types of insurance policies, title insurance requires only a one-time premium paid at closing. You'll never get another bill for title insurance after your closing. Most title insurance companies offer competitive rates. The small expenditure at closing is a bargain, especially compared to losing your most prized investment.

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VI: How much does it cost?



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