

What Every Realtor® Should Know About Owner's Title Insurance



As a real estate professional, you know buying a home can be overwhelming and confusing for your clients. The process, paperwork, and fees can sometimes be daunting, even for experienced buyers.

Owner's title insurance is one of those items often misunderstood by homebuyers at closing, yet its value is tremendous. As an important advisor to your clients, you are in a position to help homebuyers understand the value of owner's title insurance and the dangers that can be incurred without it.

WHAT IS TITLE INSURANCE?

Title insurance protects the insured against financial loss from defects in a property's title. There are two types:

- Owner's title insurance, typically paid by the seller, protects the new owner against financial loss based on past events that may have led to defects in the title. Examples include mistakes in public records, forgeries, and hidden liens.
- Lender's title insurance, typically paid by the buyer, protects the lender's priority interest in the property in case there are title defects. It is required in order to get a mortgage loan in most states.

HOW IT PROTECTS

Say, for example, your client purchased a new home from a builder, but the builder failed to pay the roofer, so the roofer filed a lien against the property. Without owner's title insurance, your client would be responsible for paying the roofer. This is just one example of how owner's title insurance protects homebuyers from financial risks.

HOW SHOULD I EXPLAIN OWNER'S TITLE COVERAGE TO MY BUYER CLIENTS?

Owner's title insurance is typically paid by the seller at the time of closing. It protects you—the new homeowner—against financial loss based on past events that may have led to defects in the title. It protects your property rights, legally and financially, for as long as you or your heirs own their home. That's peace of mind every homebuyer deserves!

WHEN SHOULD I REACH OUT?

Research from the American Land Title Association (ALTA) shows that homebuyers want information about the title search process and title insurance early—around the time they apply to pre-qualify for a mortgage, or shortly after mortgage approval.

NEED MORE INFORMATION?

The Advocus team is here to help! In addition, we recommend homebuyers discuss questions with a real estate attorney, and consider checking out homeclosing101.org from ALTA.