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LAWYERS LINK



WHO PROTECTS THE HOMEOWNER?

Understanding Owner's Title Insurance

Homebuyers face numerous important decisions during the purchase process, but one protection that is often overlooked and deserves serious consideration is owner's title insurance.

Nearly all conventional and institutional lenders require a lender's title insurance policy to protect their financial interest in the property before approving a mortgage or refinance transaction. While the lender's policy safeguards the lender, it does not protect the homebuyer's investment, equity, or ownership rights.

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That raises an important question: If a lender insists on title insurance to safeguard its financial interest, shouldn't homeowners consider the same protection for what may be their largest investment?

The Difference Between Lender Protection and Owner Protection

A lender's title policy protects the mortgage company against certain title defects that could affect its loan. An owner's title insurance policy, on the other hand, helps protect the homeowner from covered title issues that may have existed before the purchase but were unknown at the time of closing.

Purchasing a home without an owner's title insurance policy can leave homeowners exposed to significant and often unexpected financial risks. Even after a thorough title search, hidden issues can surface months or years after closing, including undisclosed liens, unpaid property taxes, forged signatures on prior deeds, recording errors, boundary disputes, probate claims, or unknown heirs asserting ownership rights.



If one of these defects emerges, the homeowner may be responsible for costly legal fees to defend their ownership and could face substantial settlement costs to resolve the claim. In severe cases, a successful title challenge could result in the loss of all or part of the property, potentially putting the homeowner's entire investment at risk.

Unlike homeowner's insurance, which protects against future events such as fire or theft, owner's title insurance safeguards against past issues that were not discovered before the purchase. Considering that a home is often a family's largest financial asset, foregoing owner's title insurance can expose homebuyers to financial losses that far exceed the one-time premium paid for the policy at closing.

Why Homebuyers Choose Owner's Title Insurance

Many homebuyers' view owner's title insurance as just another closing cost. After all, the title search has been completed, the loan has been approved, and the transaction appears ready to close without issue. In fact, most transactions proceed smoothly.

However, title insurance is not purchased because problems are expected. It is purchased because of the potentially significant financial consequences if an unexpected issue arises.

Consider This Perspective

Most people carry auto insurance even though they do not expect to be involved in an accident. Homeowners maintain property insurance even though they do not anticipate a loss. Likewise, lenders require title insurance because they recognize that not every title risk can be identified or eliminated before closing.

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For many homebuyers, an owner's title insurance policy provides peace of mind that their ownership rights and investment have an additional layer of protection. Your down payment, monthly mortgage payments, and future equity represent a substantial investment in your future. While the lender's title policy protects the bank's interest, only an owner's title policy is designed to help protect yours.

When viewed in that context, owner's title insurance is more than a closing expense. It is a one-time investment in protecting ownership rights, home equity, and peace of mind for as long as the homeowner owns the property.

As a trusted real estate professional, you play an important role in helping homebuyers make informed decisions. If you or your clients have questions about title insurance, coverage options, or potential title risks, reach out to Lawyers Title for guidance and support. We are here to help protect the transaction, help educate clients, and support you in providing confidence and transparency throughout the closing process.

This information does not and is not intended to constitute legal advice; instead, all information is for general information purposes only.





MONTHLY INDUSTRY TERMS

Fee Simple Deed
The absolute ownership of a parcel of land. The highest degree of ownership that a person can have in real estate, which gives the owner unqualified ownership and full power disposition.

Lien
A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

Negative Amortization
Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

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