**Why You Need Title Insurance**

When you purchase your home, how can you be sure that there are no problems with the home's title and that the seller really owns the property? Problems with the title can limit your use and enjoyment of the property, as well as bring financial loss. That is what a title search and title insurance are for.

**The Title Search**

After your sales contract has been accepted, a title professional will search the public records to look for any problems with the home's title. This search typically involves a review of land records going back many years. More than 1/3 of all title searches reveal a title problem that title professionals fix before you go to closing. For instance, a previous owner may have had minor construction done on the property, but never fully paid the contractor. Or the previous owner may have failed to pay local or state taxes Title professionals seek to resolve problems like these before you go to closing.

**The Owner's Title Policy**

Sometimes title problems occur that could not be found in the public records or are inadvertently missed in the title search process. To help protect you in these events, it is recommended that you obtain an Owner's Policy of Title Insurance to insure you against the most unforeseen problems.

Owner's Title Insurance, called an Owner's Policy, is usually issued in the amount of the real estate purchase. It is purchased for a one-time fee at closing and lasts for as long as you or your heirs have an interest in the property. Only an Owner's Policy fully protects the buyer should a covered title problem arise with the title that was not found during the title search. Possible hidden title problems can include:

* Errors or omissions in deeds
* Mistakes in examining records
* Forgery
* Undisclosed heirs

An Owner's Policy provides assurance that your title company will stand behind you — monetarily and with legal defense if needed — if a covered title problem arises after you buy your home. The bottom line is that your title company will be there to help pay valid claims and cover the costs of defending an attack on your title. Receiving an Owner's Policy isn't always an automatic part of the closing process, and is paid for by different people in different parts of the country. Be sure you request an Owner's Policy and ask how it is paid for where you live. No matter who pays for the Owner's Policy, the fee is a one-time fee paid at closing. The Owner's Policy protects you for as long as you or your heirs have an interest in the property.

**The Loan Policy**

There are two types of title insurance: Owner's title insurance, as mentioned above, and Lenders title insurance, also called a Loan Policy. Most lenders usually require a Loan Policy when they issue you a loan. The Loan Policy is usually based on the dollar amount of your loan. It only protects the lender's interests in the property should a problem with the title arise. It does not protect the buyer. The policy amount decreases each year and eventually disappears as the loan is paid off.

Pricing is set by the state. Be sure to ask your title company about pricing and whether the Loan Policy and Owner's Policy are sold separately or together.