



WHAT IS TITLE INSURANCE?

A “title” is the collective ownership records of a piece of real estate, including the transfer of any property rights and any loans using the property as collateral. A clear line of title makes you much less vulnerable to ownership claims from other parties and to any outstanding debts of previous property owners. Title insurance protects you against losses arising from problems with your property title that were unknown to you when you bought the property.

Before writing a title insurance policy, a title company will check for defects in your title by examining public records, including deeds, mortgages, wills, divorce decrees, court judgments, tax records, liens, encumbrances, and maps. The company will then defend in court against claims to the property, subject to certain limitations. If the company loses, it will pay you for covered losses up to the amount of your policy.

Title companies also handle the closing of a property sale and hold any earnest money in a trust account until the purchase is complete.

Title insurance only protects you from claims of ownership. It does not insure against fire, flood, theft, or any other type of property damage or loss.

LOAN AND OWNER TITLE POLICIES

In Texas, the two most common types of title policies are “loan policy of title insurance,” which protects lenders, and “owner policy of title insurance,” which protects property buyers.

Most lending institutions won’t loan you money to buy a house or other property unless you purchase a loan policy. This policy will repay the balance of your mortgage if a claim against your property voids your title. A loan policy covers up to the amount of the principle on your loan.

Loan policies remain in effect until the loan is repaid. Most lenders will require you to buy a new loan title policy if you refinance your home. When the new loan pays off the existing loan, the old loan policy expires. You are entitled to a premium discount on a new loan policy if you refinance within seven years.

Owner policies insure property owners against the specific kinds of claims listed in the policy. When you buy a house and purchase a mortgagee policy, a title company will automatically issue an owner policy unless you specifically reject it in writing.

An owner policy only covers you up to the value of the property at the time you purchased the policy. It does not cover any increase in value, unless you purchase a special “increased value endorsement.”

An owner policy remains in effect as long as you or your heirs own the property or are liable for any title warranties made when you sell the property. You should keep your owner policy, even if you transfer your title or sell the property.

In Texas, title policy forms are standardized. This means the policy language is the same, regardless of the company. It’s important that you read your policy carefully because different companies may describe their coverage exceptions differently. Pay special attention to Schedule B of the policy, which explains any limitations, exclusions, exceptions, and special conditions. You may want to discuss these exceptions with an attorney before you close on a real estate deal.

Also, check the policy’s legal description of the land against your survey and your earnest money contract. Title insurance generally does not protect against boundary disputes with neighbors. This coverage is available for purchase for an additional premium.

A title policy does not guarantee that you will be able to sell your property or borrow money on it, or that you won’t lose money if you do sell it.

TITLE POLICY PREMIUMS

The premium for a title policy is paid only once, at the closing of the sale. The buyer and seller may negotiate who pays the premium.

Title insurance premium rates are set by the Texas Department of Insurance (TDI) and are based on the property’s sale value using a sliding scale. For example, the basic premium for a \$50,000 property is \$503, and the basic premium for a \$100,000 property is \$843.

Some title companies add extra charges for tax certificates and escrow fees, recording fees, and delivery expenses. Review any extra charges carefully; you may negotiate or demand documentation of the true cost of these services. You have the right to receive your closing papers a day in advance of the closing if you request. You may also have an attorney attend the closing with you.

ALWAYS BUY FROM A LICENSED COMPANY

You may choose any title company you want; you don't have to use a company selected by a real estate agent or lender. Make sure that you buy from a licensed title company. It's illegal to sell title insurance without a license in Texas. In addition, if you buy from an unlicensed company and the company goes broke, your claims could go unpaid. The Texas Title Insurance Guaranty Association pays claims up to \$250,000 per claimant or \$250,000 per policy against licensed companies that become insolvent.

To verify that a company is licensed, call TDI's ***Consumer Help Line***

1-800-252-3439 or **(512) 463-6515** in Austin

WHAT A TITLE POLICY COVERS

If someone claims an interest in your property, a title company will defend your title in court and pay for any actual loss under these circumstances:

- A lien is filed against your title because a previous owner failed to pay a mortgage or deed of trust; a judgment, tax, or special assessment; or a charge by a homeowners or condominium association. If you receive notice of a previous lien, contact your title company immediately and follow your policy's claim filing procedure. Failure to do so could jeopardize your claim.
- There is a lien on your title for labor and materials furnished by a contractor without your consent. Generally, your policy protects you if you buy a house already built, but not if you own the land and contract with a builder to build your home. Consult an attorney about your rights.
- There are other liens or claims against your title that aren't listed in the policy exceptions.
- Leases, contracts, or options on your land weren't recorded in the public records and disclosed to you.
- The title policy failed to disclose legal restrictions on how you can use your property.
- There is an easement that isn't in public records and that you don't know about. The title policy assures you a legal right of access to your property. This means that you have a right to travel from your property to a public street or road.
- Someone didn't properly sign the chain of title, or a notary public made an error on the document, made an error in recording the document at the county clerk's office, or failed to deliver the deed according to statutory requirements.

- A deed or other document in your chain of title is invalid as a result of forgery, fraud against the rightful owner, a signature given under force, or a signature given by a person legally incompetent to sign or claiming to be someone else.

WHAT A TITLE POLICY DOESN'T COVER

In general, a title policy won't cover problems with your title that occur after the date you purchased the policy. It will also not protect you from problems that you create or from problems unrelated to your or the lender's property interests. Consult an attorney to address any questions you might have about your property rights or other situations.

Your policy also will not cover any special exceptions – such as a public utility easement – added by the title company during the title examination process. These exceptions must be listed in Schedule B of your policy. The company must make you aware of each exception and describe it using common language so that you can easily locate the reason for the exception in public records. In addition, a title policy generally will not cover the following:

- The penalties of your failure to pay for your property.
- An unrecorded title defect that you knew about or allowed to occur.
- Violations of building and zoning ordinances and other laws and regulations related to land use, land improvements, land division, and environmental protection.
- Restrictive covenants limiting how you may use the property and stating the requirements for buildings constructed on the property. Schedule B lists these restrictions. Be sure to request copies of any restrictions and have your attorney explain them. The title company may charge you for the copies.
- Losses resulting from rights claimed by “parties in possession,” such as renters or anyone else occupying the land. If you object to the exception, the title company may inspect the property and delete the exception from your policy. The title company may charge for the inspection.
- Condemned land, unless a condemnation notice appeared in the public record on the policy date or the condemnation occurred before the policy date.
- Homestead, community property, or survivorship rights of a policyholder's spouse. Texas homestead laws address the rights of a spouse or survivors of a property owner.
- Title irregularities arising from a deceased person's estate, a bankruptcy estate, or a trust.
- Claims from other people who may have certain rights if your property is near a body of water or has a river or stream flowing through it.

- Certain taxes and assessments. Your title policy ensures that all property taxes and assessments are paid for the most current year available. However, certain tax exemptions claimed by previous owners could result in more taxes being assessed against your property in the future. If you buy property with borrowed money, the lender may ask that its mortgagee policy delete the exception for “subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership.” In such cases, the title company may require that the taxes be calculated and paid.

Call Infinity Title for additional information:



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