

The Vitals of Title Insurance

Protecting Your Home or Property Investment Against Unknown Title Defects

What is Title Insurance?

Title insurance is an insurance policy that covers past title problems (defects) that aren't known until after you buy a home or property.

A few examples of common defects include:

- **Lost, forged, or incorrectly filed deeds.** Deeds are documents that show who owns the property. For example, if someone filed the deed with the County Recorder in their own name or never filed the deed at all, this would be a title defect resulting in unclear ownership rights.
- **Fraud.** For example, someone falsified documents making it look like a prior mortgage was paid off when, in fact, it wasn't. The lender could foreclose on the property for failure to make payments toward the loan.
- **Mechanic's liens.** For example, improvements were made to the property and the former owner failed to pay the contractor for the work done that contractor could sue for payment or even a stake in the ownership of the property. Other liens, for example, if the former owner failed to pay their homeowner association dues or property taxes, liens could exist on the property resulting in problems with the title.
- **Encroachments.** For example, if a neighbor put their fence on the property you are trying to purchase, this would result in a title defect that needs to be addressed before you buy the property.

All of these issues can result in claims against the property which is why it's important that you work with a reputable title insurer who can protect your ownership interest in what may be the biggest investment you own.

Types of Policies

There are two primary types of title insurance policies: owner's and lender's.

An **owner's policy** protects you for the purchase price of your home plus legal costs if a title or ownership issue arises after you buy your home. This type of policy is usually issued for the amount you paid for your home and will cover you as long as you own an interest in the property. You are not required to purchase an owner's policy, but it is a good idea to protect your own financial interest in the property.

Enhanced owner's policies or endorsements may be available for increased coverage, but may require a higher premium.

A **lender's policy** only protects the lender if a title or ownership problem comes up after the property is purchased. Unlike an owner's policy, the policy decreases as you pay off the loan and ends when you pay off your mortgage.

Because a lender's policy only protects the lender from title problems, you may want to consider an owner's policy to protect your interests.

How to Protect Yourself

- **Know who you're hiring.**

People often choose a title insurer and/or closing agent based on a referral from their real estate agent, lender or home builder. If the agent or insurer is affiliated with the person making the referral, the person making the recommendation to you may have a financial interest. Nebraska law requires that affiliated relationships be disclosed to the buyer in writing.

Make sure you're getting the best price by getting quotes from multiple companies. Be sure to do this early to avoid delaying the closing. Once you have signed an agreement to purchase real estate, you have all the information you need to start getting quotes from title companies. Check with the Nebraska Department of Insurance to make sure the company is licensed to operate in the state.

- **After you close on the property, check the County records to ensure the deed was recorded.**

You can call your County Recorders office or check their website to ensure the deed was properly recorded. Be sure to double check the name and address to ensure all of the names are correct. If you received a loan to buy the property, check for the Trustee's deed as well which will have your lenders name and the property address.

- **Print and maintain in a safe place, a copy of your title policy and closing protection letter.**

Title insurance safeguards your ownership rights for the entire time you own the home or property and you'll need a copy of your policy if you submit a claim. Title defects may not be found until you sell a property. If you submit a claim, it's important to know where you purchased the policy, what is covered, and how to submit a claim.

More Information

If you have insurance-related questions or concerns, please contact the Nebraska Department of Insurance locally at 402-471-2201, or call its toll-free consumer hotline at 1-877-564-7323. Additional information is available on the website at doi.nebraska.gov.