

CONSUMER ALERT



NEBRASKA DEPARTMENT OF INSURANCE
402-471-2201 ~ TOLL-FREE CONSUMER HOTLINE 1-877-564-7323
WWW.DOI.NEBRASKA.GOV

THE VITALS ON TITLE INSURANCE *What You Need To Know*

Buying your home is likely one of the largest investments you'll make and a decision that can impact your finances for years to come. It's important to learn about how you can protect your investment from potential title defects or liens.

What is title insurance?

Title insurance is an insurance policy that covers you if title problems come up after you buy or refinance a property. Possible complications include lost, forged or incorrectly filed deeds, property access issues and liens on a property.

For example, if there is an unpaid mortgage on the property you just bought, you may be held responsible. Without title insurance, you might have to pay legal costs to settle a dispute. If you lose a dispute, it could cost you money, the equity you have in your home and perhaps even ownership. Title insurance is designed to cover associated costs to settle the dispute and/or to resolve the problem.

When purchasing real estate, your lender will require title insurance. This coverage is purchased for the benefit of the lender and protects only the lender's interest in the property.

Where can I buy title insurance?

You can buy title insurance from a title agent or a title insurance company. Licensed title insurance companies, agencies and agents can sell title insurance. In some states, attorneys are also allowed to sell title insurance. In Nebraska, attorneys are required to be licensed as title agents to sell title insurance.

What are my rights when buying title insurance?

Your realtor, loan officer, or seller may recommend a particular title agency and/or closing company. You are not required to use the suggested title company or closing agent. **You have the right to shop for and choose your provider of title insurance and settlement services.** You'll need to know the purchase price of the property to make price comparisons on title services; however, you can still search for licensed title companies and make a list of questions to ask title insurers prior to signing a purchase contract. Be sure to ask what services and fees are included in the title premium, as well as any fees charged separately. Ask whether you qualify for any discounts.

Some title insurers may be affiliated with lenders, real estate companies, developers or home builders. Ask the person making the referral if his/her company is affiliated with the recommended title insurer. **Federal law requires affiliated relationships be disclosed in writing.**

Types of policies

There are two 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 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.

An enhanced owner's policy, which has a higher level of coverage than a standard owner's policy, may also be available in your area. Enhanced owner's policies cost about 20 percent more than a standard owner's policy because they cover extra risks, including coverage after a property has been transferred.

If an owner's policy or an enhanced owner's policy doesn't cover a specific issue, often you can add specific coverage, known as a policy endorsement. For example, if you're buying a new home and the owner's policy doesn't cover claims filed by a contractor, known as mechanic's liens, you can add a policy endorsement to cover the liens if the prior owner failed to fully compensate the contractor. Some endorsements are free while others cost an additional fee.

If you borrow money to buy your home or property, your lender will require you to buy a lender's policy. A lender's policy **only** protects the lender if a title or ownership problem arises after the property is purchased. A lender's policy is issued for the amount of the mortgage, and the coverage decreases as you pay down your loan. Unlike an owner's policy, the lender's policy ends when you pay off your mortgage. You may be expected to pay the premium for this type of coverage.

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.

More information

If you have insurance-related questions, please contact the Nebraska Department of Insurance at 402-471-2201, or call our toll-free consumer hotline at 1-877-564-7323. Additional information regarding insurance is available on our website at www.doi.nebraska.gov. Be sure to also visit Insure U on the consumer dropdown of our website, www.insureuonline.org, to get helpful information about insurance options at all stages of your life.