



## **Title Insurance and the Role it Plays**

### **Making sure your home is legally yours**

**Title Insurance is a** type of insurance that protects the policyholder against loss sustained through title defects. With all the hoops you have to jump through to buy a home, you'd think that would be enough to prove your home is indeed *your* home. But alas, such is not always the case. A myriad of situations can stand between you and a *marketable title*—a condition that states evidence of your problem-free ownership rights to a particular property.

The purpose of title insurance is to secure your legal claim to the property and protect you against title "defects"—legal rights to a property claimed by somebody else. Unfortunately, hidden defects can surface even after you've gone through *closing*, and a myriad of situations can stand between you and a *marketable title*. With title insurance, the title insurer not only pays the costs if you're ever forced to defend your ownership in court, but covers any financial loss if the title defects can't be settled.

To get a mortgage you'll have to buy a lender's title insurance policy. This protects the lender against any title problems. But to protect *your* interests, you'll need *owner's* title insurance, as well.

### **Resolving exceptions and defects to your title**

A *title* to real property (land and any permanent improvements to it – such as a house) consists of the document that shows evidence of your rights of ownership and, if applicable, documents which describe any rights someone else may have to the property. Buyers want a title free of major "defects," which are legal rights to a property claimed by someone other than the owner. Defects can include unpaid taxes or claims against your home by a former spouse. Title insurance protects against these possible defects.

## **You, your attorney and title insurance**

Whether the buyer or seller is responsible for providing and paying for title insurance is negotiable, and will be spelled out in the contract. Even if it isn't your responsibility, your attorney should be involved in the title process.

The title agent will issue a title "commitment," outlining the status of the title, including any major defects as well as any "exceptions" to the title holder's ownership. Exceptions are situations where the title owner relinquishes control over a given aspect of the property. For example, your home might share a driveway with the house next door, or the telephone company may have access to the phone lines running through your yard.

### ***Potential problems***

The above examples are pretty normal exceptions, and most buyers would accept them without a fuss. But sometimes *title exceptions* can pose problems to the buyer. Exceptions are situations in which the title owner gives up control of a specific aspect of the property, such as a shared driveway. Your real estate attorney can advise you on how to deal with these exceptions.

***Time limits.*** If a buyer wants to object to an exception on your title, he or she has a specified timeframe in which to do so. As the seller, you have a certain amount of time to resolve the exception, or the buyer can legally withdraw from his contract with you. A real estate attorney can help resolve the exception, saving a sale that might otherwise fall through.

***Cost.*** Since the fee for title insurance will be about the same whether a real estate attorney or a non-attorney title agency issues it, it just makes sense to get the added value of an attorney's legal advice and counsel.

**Let us help protect your investment.**

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