

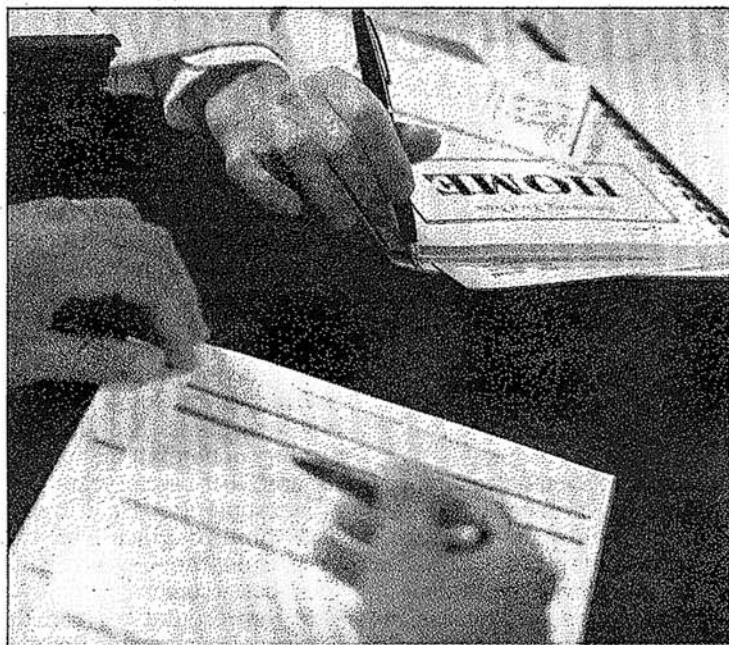
# Title insurance: A home saver

Title insurance, not normally a sexy topic, became newsworthy recently when 1,000 Wellington area property owners received notices from a Louisiana company claiming to hold mineral rights on their land.

Those notices had the homeowners scrambling to find their title insurance policies, issued



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**SIGN UP:** Research mistakes make title insurance a necessary purchase for home buyers. *Attorneys Title Insurance Fund photo*

when they purchased their homes. And while experts ultimately said that the mineral rights claims were probably worthless, the incident underscores the importance of purchasing—and understanding—title insurance.

"A house for most people is their largest single investment," said Ted C. Jones, Ph.D., senior vice president and chief economist for **Stewart Title Guaranty Co.** in Houston, Texas. "Imagine buying a new \$40,000 car and not getting insurance on it; that would be unheard of. Why would you do that with a \$350,000 house?"

Title insurance protects your investment in a house or other property. If a claim occurs, the title company will either pay you for the property or defend your right of ownership, Jones said.

There are actually two types of title insurance. An owner's policy protects the owner of the property, as the name suggests. It's paid for at the real estate closing with a one-time premium. While an owner's policy is not required to purchase a house, experts say it's as necessary as homeowners insurance.

"I was approached once by an all-cash purchaser who didn't want to pay for title insurance," said David F. Hannan, a Plantation real estate attorney and an attorney-agent for Attorneys Title Insurance Fund. "I declined to represent him because there is no way I can adequately protect a buyer without issuing a title policy."

A lender's policy protects

the bank that holds the mortgage on a piece of property. It is required as a condition of closing when someone either purchases property or refinances the mortgage on property they already own.

The cost of title insurance depends on the purchase price of the property and/or the amount of the loan securing it. For a typical \$450,000 house with an 80 percent mortgage, Hannan said an owner's policy would cost \$2,325 and a lender's policy issued at the same time, \$25. Title companies often charge additional fees as well, such as a settlement fee (generally \$175 to \$400) and title examination fee (\$100 to \$250). While premiums are not negotiable, Hannan said that

the settlement and examination fees are "not written in stone."

Despite the fact that a title insurance policy is preceded by an exhaustive examination by the title company, defects often occur. According to a survey released in April by the American Land Title Association, title problems were found in 36 percent of all residential real estate transactions in 2005, up from 25 percent in 2000. The association attributes the increase to the boom in the number of real estate transactions over the past few years. The greater the volume of real estate deals, the greater the likelihood that an error will occur.

The most common types of title defects uncovered last year were unpaid liens, such as mortgages, unpaid child or spousal support, mechanics' liens, taxes or judgments against prior owners of the property, the group said. These defects can be cured before closing on a property.

With title defects occurring so frequently, homebuyers need to choose a title agent carefully. Hannan suggests that buyers seek out a title company that is established and has a good reputation.

"We have a great problem here in South Florida with title companies going out of business," he said. "You want to know that who you are dealing with will be there five to 10 years from now."

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