



Title Insurance 101

Presented by Rick Howenstine
Indiana State President



**Service is not just our Policy,
It's our Commitment**

CLICK HERE TO LEARN MORE...



Nations Title Background

- **Operating since 1989**
- **Servicing Indiana, and ALL 50 States**
- **NTA, NLS, NVS, FMC, NSC**
- **Specialized in providing World Class Customer Service via seasoned local title professionals specific to the Real Estate and Mortgage Industry**
- **“Service is not just our policy, it’s our commitment.”**

Title Insurance 101

- **What is title insurance**
- **Why do I need title insurance**
- **What types of title insurance**
 - 1. Owners Policy**
 - 2. Lenders Policy**
- **How much is title insurance**
 - **Commitments / Policy**
 - **Deeds**
 - **Nations Title Agency**

What is Title Insurance

What is a title?

Simply stated, the title to a piece of property is the evidence that the owner is in lawful possession of that property.

What is title insurance?

Title insurance protects real estate owners and lenders against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property. Each title insurance policy is subject to specific terms, conditions and exclusions.

How does title insurance differ from other insurance?

Insurance such as car, life, health, etc., protects against potential future events and is paid for with monthly or annual premiums. A title insurance policy insures against events that occurred in the past of the real estate property and the people who owned it, for a one-time premium paid at the close of the escrow.

What does it cover?

Title insurance protects against claims from defects. Defects are things such as another person claiming an ownership interest, improperly recorded documents, fraud, forgery, liens, encroachments, easements and other items that are specified in the insurance policy.

Who needs it?

Purchasers and lenders need title insurance in order to be insured against various possible title defects. The buyer, seller and lender all benefit from issuance of title insurance.

How is a title insurance policy created?

After the escrow officer or lender opens the title order, the title agent or attorney begins a title search. A Preliminary Report is issued to the customer for review and approval. All closing documents are recorded upon escrow's instruction. When recording has been confirmed, demands are paid, funds are disbursed, and the actual title insurance policy is created.

What is escrow?

Escrow refers to the process in which the funds of a transaction (such as the sale of a house) are held by a third party, often the title company or an attorney in the case of real estate, pending the fulfillment of the transaction.

What are the title insurance policy types?

The Owner's Policy insures the new owner/home buyer, and a lender's policy insures the priority of the lender's security interest

Why and the Value of Title Insurance

Value of Title Insurance

The title industry is an important part of every American's life. It may seem like a grandiose claim, but the work we do benefits not only each individual policyholder, but the nation as a whole. And yet, many people are unfamiliar with what title insurance is, what it does for them and the benefits of having a healthy title industry. So we'd like to offer a quick glimpse into what we do for our customers day in and day out at Nations Title Agency and the benefits all Americans receive from the work done by the title industry.



We protect policyholders from the unknown.

More than likely, your home is your biggest investment, and we protect your interest in that investment. Title insurance protects real estate owners and lenders against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property. Each title insurance policy is subject to specific terms, conditions and exclusions. While other types of insurance (such as flood, auto or homeowners insurance) provide coverage that focuses on possible future events, title insurance protects against loss from hazards and defects already existing in the title to a property.

Some examples of such defects might be improperly executed documents from a previous sale of a lien against a previous owner.

[You can view a list of many of the protections provided by title insurance here.](#)

Over half of all real estate transactions have a problem somewhere in the chain of title. We find these issues and assist in taking corrective action to enable the transactions to go through and allow our customers to have peace of mind about their new home purchase.



Title insurance provides valuable protection at a good value.

Another difference between other types of insurance and title insurance is in how the policies are paid for. Title insurance is purchased with a one-time premium and provides coverage for as long as the policyholder or their heirs own the property. This is unlike the annual or monthly premiums you must pay for other insurance types. Examine the cost of title insurance over the life of the policy versus other types of insurance and you'll find that policyholders receive a great value for the money they spend.

If a homeowner were to pay the national average cost of a title insurance policy and live in their home for just five years, the annual average cost of the title insurance policy would be less than \$200 a year.

By comparison, the national average cost of a homeowner's insurance policy is over \$700 per year.



The title industry provides benefits to the entire country, not just our policyholders.

Beyond the security and peace of mind we provide to our customers, the title industry helps to improve the transaction process in ways that benefit all of the transaction parties and the country as a whole. We save consumers \$10 billion annually in interest costs through timely closings, putting those dollars to work in the hands of the American homeowner

By expediting the closing process, we save consumers and the real estate industry \$1 billion a day We provide educational materials concerning the real estate process that empower consumers and help improve their transaction experience We help collect \$1.75 billion in delinquent federal taxes annually, lessening the tax burden for everyone

We help collect \$325 million in past due child support annually, enabling children to be properly cared for

We'd like to help you learn even more about title insurance, the industry and the real estate transaction process. Please contact Rick Howenstine Indiana State President at 317-587-0440 or email me at rhowenstine@nationstitle.com



What types of Title Insurance

Owners Policy and the Homeowner's Policy

Protect your investment.

Title insurance offers financial protection against title problems that might not be found in the public records, are inadvertently missed in the title search process or that may arise from fraud or forgery.

The title policy required by a lender covers only the lender's interest in a property.

The homeowner's policy, purchased at closing, provides coverage for the homeowner. If your home's title is challenged, based on a situation covered in the policy, the title insurer will either perfect (establish a valid title) or pay for defending against the challenge and will either make perfect the title or cover the costs in the case of a valid claim.



Comprehensive Coverage

There are two types of Owner's title insurance policies certified by the American Land Title Association® (ALTA®) – the Owner's policy and the Homeowner's policy.

The Owner's policy protects you from defects and liens in the history of your title through the date and time your deed is recorded in the public records.

The Homeowner's policy takes your protection to a higher level by providing coverage for many additional risks, including some that might occur after the deed has been recorded.

The Homeowner's policy protects against many common, frustrating problems, and the policy protects your investment for as long as you or your heirs own the property. Read on for a description of some of the additional coverages you'll receive when you upgrade to a Homeowner's policy.

More Coverage, More Peace of Mind Building Permit Violation Coverage

Covers up to \$25,000 after a deductible equal to the lesser of 1% of the policy amount or \$5,000. This coverage applies if the policyholder has to remove an existing structure (excluding boundary walls and fences) built by a previous owner who did not obtain the required permits.



Subdivision Coverage

Covers up to \$10,000 after a deductible equal to the lesser of 1% of the policy amount or \$2,500. This coverage applies if the policyholder cannot close a sale, secure a loan or obtain a building permit because the land was improperly subdivided prior to purchase.

Address Coverage

Address coverage insures that the home has the same address as the property insured in the policy.

Restrictive Covenant Violations Coverage

This type of coverage protects against loss of title if someone attempts to enforce an existing restrictive covenant due to a violation that occurred before the policy date.

Zoning Coverage

Zoning coverage protects if the policyholder is forced to remove or remedy an improvement because it violates zoning laws. Protection for forced remedy of violations is subject to a deductible and a maximum dollar amount.



Post-policy Coverage

Post-policy coverage protects against possible post-policy ownership claims.

Enhanced Access Coverage

Enhanced access coverage protects actual pedestrian and vehicular access to the property.

Encroachment Coverage

This protects against someone building a structure (excluding boundary walls and fences) that encroaches on the insured property.

Supplemental Taxes

This coverage protects against supplemental taxes for prior construction, change of use or ownership.

Coverage for Structure Damage From Extraction of Minerals, Water and Other Substances

This coverage protects all existing structures and landscaping on property, including future improvements; and protects against damage caused by others using the land for extraction and development of minerals, water and other substances.

Automatic Coverage Increases

Each of the first five years, the policy amount will automatically increase by 10% in value, up to a total of 150%.

Trust Coverage

Trust coverage extends the policy protection to include a trust that you create.



How much is Title Insurance

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Examine the cost of title insurance over the life of the policy versus other types of insurance and you'll find that policyholders receive a great value for the money they spend. If a homeowner were to pay the national average cost of a title insurance policy and live in their home for just five years, the annual average cost of the title insurance policy would be less than \$200 a year.

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Commitment / Policy

The Title Commitment Contents:

- Schedule B- Requirements
- **Schedule B 11- Schedule A**
- **Exceptions**

Schedule A

- Property Address- Verify the property address is accurate
- Reference Number- Lender file name or number, as provided
- Commitment Number- Nations assigned file number

Numeric breakdown as follows:

- 1) Effective Date –(next slide we will discuss in detail)
 - 2) Policy or Policies to be Issued (owner's policy – insures buyer's, lender policy – insures buyer's new mortgage lender)
 - 3) Specifies the specific form of ownership
 - 4) Identifies who is currently vested in title (seller's)
 - 5) Legal Description (the land referred to)
-
- CHAIN OF TITLE – *The chronological order of conveyance of a parcel of land, from the original owner to the present owner*

Why Do These Dates Matter?

- **The Effective Date**- represents the date through which the County Recorder's Office certifies all recorded documents. The title commitment obligates the insurer to issue a policy insuring title as it existed on the effective date of the commitment.
- **The Gap Period** -The period between the date of the title commitment & the recording of the insured mortgage or deed. The insured is not protected against interests arising during this "gap". We will order an update of title as soon as a closing is scheduled to try to protect ourselves in the event a lien is recorded in the gap period.

Schedule B

- Items A through F will be standard on all commitments
- Starting with item G the following “defects” will or could be listed, for example:
 - Mortgages
 - Liens
 - Pending divorce decrees
 - Judgments
- Schedule B – in summary, all liens that are required to be released in order to provide clear title will be listed here

Schedule B-II - Exceptions

- Exceptions on Schedule B-II will show as exceptions on the final policy.

Examples:

- **Easements**
- **Right of Ways**
- **Building and Use Restrictions**
- **Any other known Encumbrances**

Tax Information – must be paid current

Deeds

- Warranty Deed
- Quit Claim Deed
- Special Warranty Deed
 - Tax Deed
 - Sheriff's Deed

Warranty Deed

- In a (general) warranty deed, the Grantor promises that he or she will defend the Grantee from any and all claims of others. A (general) Warranty Deed is used in most real estate deed transfers and offers the greatest protection of any deed.

Quit Claim Deed

- A quit claim deed is a real property deed which transfers only that interest in the property in which the grantor has title. A quit claim deed does not guarantee good title to the property.

Special Warranty Deed

- A deed used to convey title under which the grantor accepts liability for defects in title only during the time the grantor owned the property.

(HUD owned properties, Bank Owned and foreclosures)

Tax Deed

- A Tax Sale is conducted once per year by the County Treasurer and is held to collect a lien for the delinquent taxes. The winning bidder is actually buying the tax lien on the property, which may or may not lead to actually owning it. The current property owner has a 1 year redemption period, in which he or she may buy back the property.

Sheriff's Deed

- A sheriff's sale is held to sell homes in which the owner is behind on mortgage loan payments. It is the last step in the foreclosure process and is based on a court order to sell the home to satisfy the outstanding mortgage.

Thank you for choosing...



Nations Title Agency