

All About Title Insurance

How to protect your real property against hidden risks



Consumers 1-800-686-1526 • Medicare 1-800-686-1578 • Fraud & Enforcement 1-800-686-1527

You are buying a house

Owning a home continues to be one of the most important parts of the American dream. But, having the deed to a piece of land does not necessarily mean the property is yours free and clear. Other people may have certain prior rights or claims that your deed will not erase. Such rights can go back all the way to the earliest owners of your new property.

You want to be sure you will remain the true owner, and that there will be no claims or liens against your new home — other than the mortgage you agreed to pay.

A “loan policy” is title insurance that protects your lender

When you close on your mortgage loan, title insurance may be included in the amount you pay. Known as a loan policy, this type of title insurance covers the mortgage company for up to the full value of the policy if you are unable to pay your mortgage bills and the company suffers a loss.

Warning: The loan policy does not protect YOU!

You can protect your own interest in the property you just bought with a policy called “owner’s title insurance.”

An owner’s title insurance policy describes the property and defines your ownership “limitations” — if any. The limitations could be in the form of existing liens or items disclosed to you before you agreed to the purchase. In other words, limitations you have accepted in buying the house.

Owner’s title insurance protects you against what you don’t know. It helps take the risk out of buying property whose legal history is long and may not be completely known to you. The so-called “hidden risks” covered by such a policy are not common, but they do exist. If your property’s ownership history carries such risks, you could lose the property and the money you paid for it.

The mortgage company has a loan policy to protect its interest in the money it lent you. To protect your own interest in your new property, consider owner’s title insurance.

What owner’s title insurance covers

It is likely there are no hidden risks connected to your new property. However, such risks do exist, often as a result of errors made during past title transfers.

Many different people may have owned the land and buildings over the years and there was a chance for error each time the title was transferred. If an error occurred but was not discovered until you bought the property, you may face a hidden risk (see examples). Your ownership of the property could come into question.

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Owner's title insurance protects you from such errors. Title insurance also provides the coverages shown below.

- Protects you from financial loss due to covered claims against your title, up to the face amount of the policy.
- Pays your legal costs if the title insurance company is required to defend your title against covered claims.
- Pays successful claims against your title, up to the face amount of the policy.
- Continues protection after you no longer own the property.

Examples of hidden risks

Some of the more common hidden risks covered under owner's title insurance:

- False impersonation of the true owner
- Confusion caused by similar names
- Forged deeds and other documents
- Clerical errors in public records
- Errors in recording legal documents
- Undisclosed or missing heirs
- Fraud
- Invalid divorces
- Unpaid child support lien
- Unpaid taxes (local, state, federal)
- Invalid documents executed under an expired power of attorney
- Unrecorded easements (rights of way)
- Signatures of minors or people who are not mentally competent
- Signatures of people represented as single but who are actually married

Consumer Tips

If you decide you want owner's title insurance, companies offer "simultaneous issue credit" as long as you buy the owner's insurance within 30 days of closing (and buying the loan policy). Simultaneous issue credit decreases the amount of your premium. Remember any insurance policy is only as sound as the company that issues it.

What if I have a problem with the insurance agent or the company?

The Ohio Department of Insurance Consumer Services can answer your questions about title insurance. Consumer Services will also investigate your written complaints about an insurance company or agent. If you have a question or you feel a company or its agent has done something wrong, call Consumer Services at **1-800-686-1526**.