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TITLE & ESCROW

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What Is Title Insurance?

The purchase of a home is probably the single largest investment you'll make in your lifetime. It is important that you want to safeguard your rights and investments. Title insurance assures that your rights and interests to the property are as expected, that the transfer of ownership is smoothly completed and that you receive protection from future claims against the property. It is the most effective, most accepted and least expensive way to protect your ownership rights.

Because land endures over generations, many people may develop rights and claims to a particular property. The current owner's rights – which often involve family and heirs – may be obscure. There may be other parties (such as government agencies, public utilities, lenders or private contractors) who also have "rights" to the property. These interests limit the "title" of any buyer.

Before your real estate transaction closes, the title company performs an extensive search of all recorded documents related to the property. These records are then examined by experienced title officers to determine their effect on the current status of ownership and a report is issued to you or your agents for review. This thorough examination generally allows any pending title problems to be identified and cleared prior to your purchase of the property.

If title insurance companies work to eliminate risks and prevent losses caused by defects in the title before the closing, why do you need a title insurance policy?

Because even after the most careful research, some title flaws may go undetected. Among the more common flaws to title which are sometimes not of record are forgery, invalid court proceeding, mistaken legal interpretations, defective deeds, confusion due to similarity of names, previously unrecognized rights of spouses and undisclosed heirs. These problems may surface at any time in the future.

Protection against flaws and other claims is provided by the title insurance policy which is issued after your transaction is complete. Two types of policies are routinely issued at this time: an "owners policy" which covers you, the homebuyer for the full amount you paid for the property; and a "lenders policy" which covers the lending institution over the life of the loan. When purchased at the same time, you can obtain a substantial discount in the combined cost of an owner's and a lender's policy. Unlike, other forms of insurance, your title insurance policy requires only one moderate premium for a policy to protect you or your heirs for as long as you own the property. There are no renewal premiums or expiration date.

Each policy is a contract or "indemnity". It agrees to assume the responsibility for legal defense of your title for any defect covered under the policy's terms and to reimburse you for actual financial losses up to the policy limits.

CORINTHIAN
TITLE COMPANY

Understanding Title & Closing Costs

What services will I be paying for when I pay closing costs? You will usually be paying for such things as real estate compensations, appraisal fees, loan fees, escrow charges, advance payments such as property taxes and homeowner's insurance, title insurance premiums, pest inspections and the like.

How much should I expect to pay in closing costs? An estimate of your closing costs will be provided to you pursuant to the Real Estate Settlement Procedures Act after you submit your loan application. An itemized list of charges will be prepared when you close your transaction and take title to your new property.

Can I pay for my closing costs in installments? No, and it is easy to understand why. Many different parties will have fulfilled their responsibilities and be awaiting payment upon closing. The title or escrow company will disburse monies to those parties, pursuant to the escrow instructions, when funds are available.

Will I be allowed to write a personal check to cover my closing costs? Your closing funds should be in the form of a cashier's check, issued by a California institution, made payable to the title company or escrow office in the amount requested. A personal check may delay the closing or may be unacceptable to the title or escrow company.

Why are separate owner's and lender's title insurance policies issued? Both you and your lender will want the security offered by title insurance. Your home is an important purchase, and you will want to be certain your home is yours, all yours. Title insurance companies insure your rights and interests in order to protect you against claims.

Your lender is looking to insure the enforce ability of their lien on your property and marketability. What is meant by "marketability"? Well, we in California have long been importers of mortgage money. Local lenders will "originate" a loan here and, often, sell it to an out-of-state investor. This investor, who may never see the property, needs to know that he/she has a valid and enforceable lien. Title insurance is the way of making certain. Without a current title policy, the loan is essentially unmarketable.

Is it a law in California that I must purchase title insurance when I buy or refinance a home? No. However, virtually all lenders require title insurance for the face amount of their deed of

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Understanding Title & Closing Costs *(continued from other side)*

trust, whether purchase or refinance. Prudent owners also value the protection afforded by the payment of the one-time title insurance premium.

How much can I expect to pay for title insurance? Your title insurance premium may actually amount to less than one percent of the purchase price of your home, and less than 10 percent of your total closing costs. The title policy is good for as long as you own the property with the payment of only one premium.

Who will pay for title insurance charges, the buyer or the seller? Surprisingly, "who pays" is not uniform from county to county in California. The question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice in your county.

What does my title dollar pay for? Title insurers, unlike property or casualty insurance companies, operate under the theory of "risk elimination". Risk elimination can only be accomplished after an intensive period of risk identification. Title companies spend a high percentage of their operating revenue each year collecting, storing, maintaining and analyzing official records for information that affects title to real property.

The issuance of a title insurance policy is highly labor-intensive. It is based upon the maintenance of a title "plant" or library of title records, in many cases dating back over a hundred years. Each day, recorded documents affecting real property are posted to these plants so that when a title search on a particular parcel is requested, the information is already organized for rapid and accurate retrieval.

Trained title experts are able, with the aid of their extensive title plants, to identify the rights others may have in your property, such as recorded liens, legal actions, disputed interests, rights of way or other encumbrances on your title. Before closing your transaction, you can seek to "clear" those encumbrances which you do not wish to assume.

The goal of title companies is to conduct such a thorough search and evaluation of public records that no claims will ever arise. Of course, this is impossible – we live in an imperfect world, where human error and changing legal interpretations make 100 percent risk elimination impossible. When claims arise, title insurance companies have professional claims personnel to make sure that your property rights are protected pursuant to the terms of your policy.

To conclude, when you pay for your title insurance policy, you are paying for a team of professionals who have worked together to deliver you a title insurance policy which represents protection for your ownership of real property.

Who can I look to for straight answers on title, closing and closing costs? Title or escrow company personnel are available to review and explain your title policy and your closing statement. Should you still have further questions or need legal or tax advice, your title or escrow officer can help by referring you to the proper source for your answer. Remember, the title or escrow officer is not a legal counsel and cannot give you legal advice. It is their responsibility to give impartial service to all customers.