

Understanding Title Insurance

Title to a property is a record detailing the owners of the property and rights associated with the ownership. Title typically shows a progression of ownership from the first owner to the current one. Title is a fairly simple concept, but when it goes wrong it is a nightmare. That is where title insurance comes in.

Title Insurance

Title insurance guarantees that the title on a property is marketable when you purchase the home, condo, land, etc. You should always pay for title insurance. It typically costs a few hundred dollars and will save you a bundle if problems arise.

When you buy title insurance, a title insurance company researches the title for the property. The insurance company will look to see if the title is clear. “Clear” simply means that the seller is truly transferring title to you and no other person can claim ownership. While this sounds fairly simple, rest assured that title problems arise all of the time.

Title Problems

You might be wondering how you could possibly have title problems. Here are a few examples:

1. Divorcing Couples – Divorce is unpleasant and sometime very ugly. In particularly nasty situations, one spouse may attempt to sell a home without telling the other. To gain clear title, you need both spouses to sign off on the sale. If you don't, you are going to become a party of the divorce proceedings. Now, wouldn't that be fun?
2. Estate Sales – If you are purchasing a house as part of an estate sale, there can be real problems. The heirs may not be getting along and in an effort to “get what's mine”, may try to sell the residence without including all the heirs in the transaction. If you buy this home, you could end up involved in a lawsuit filed by an heir left out of the transaction.
3. Ingress and Egress Issues – Title to a property can have technical issues related to egress and ingress. Occasionally, one finds title to a property that is so messed up that the owner doesn't have the right to enter or leave the land because to do so would require crossing another person's property. In short, the property is landlocked and something must be worked out with the neighbors. Typically, a solution comes in the form of hard, cold cash...lots of it.

These are just a few issues that can arise with title. With real estate, unique issues can arise all the time.

If you buy title insurance, you don't have to worry about problems with title. If a problem arises, you calmly pick up the phone and call the title insurance company. The insurance company will come up with a solution, even if it means paying you for bad title.