

# What Every REALTOR<sup>®</sup> Should Know About Title Insurance

*Make sure your clients are protected*

*By Michael A. Holden*

The process of buying a home has gotten pretty complicated, with mounds of paperwork and documents to sign. Fees show up at closing that can sometimes be a big surprise to the buyer, who often has no idea what they're for.

Title insurance is one of those charges little understood by home buyers, who often see it as just another fee they have to pay to buy a home. As an important advisor to your clients, you can help them understand the value that title insurance provides, and the dangers that can be incurred without it.

Title insurance protects against problems affecting the title to a home, which is probably your client's most valuable asset. There are two types of title insurance policies. A Loan Policy is almost always required by the lender and insures the title for the amount of the mortgage loan. An Owner's Policy, on the other hand, insures the homeowner's investment, such as their down payment and equity. Both are needed.

Having a problem with a title can seem rather remote because, historically, the title insurance industry has not had to pay a large amount in claims. This is due to the exhaustive due diligence work that is performed by the title company prior to closing. The American Land Title Association estimates that one out of every four title searches reveals a problem with the title.

Because of the corrective work that title professionals perform, most buyers are unaware of these problems and the closing goes smoothly. Few problems with title ever end up resulting in a claim. However, when it happens, not having the proper protection can be devastating to a homeowner.

Some title problems are easy to detect, such as prior tax liens or a lien from an unpaid subcontractor. But other problems can be more difficult to detect, such as forged signatures in the chain of title, recording errors, undisclosed easements or title claims by missing heirs or ex-spouses. For this reason, having both a Loan Policy and Owner's Policy ensures that your clients are fully protected.

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