

# TREVITT

R E A L T O R S

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## Title Insurance

Mortgage lenders require their customers to get title insurance. A title is the legal document of ownership for property. The companies also require you pay for a title search, which is an extensive search through legal documents to prove the person selling you property has legal claim to do it. So why have title insurance when you've had a title search done? The search may have made an error, or it may have come across forged documents which would pass the title search. Around six percent of all policies have a claim, so it is not as uncommon as some may think to have a claim.

You will have to have title insurance even if you refinance your mortgage. The mortgage lender is insuring against a lien on the property. A lien is a legal claim against a property usually because of debt. If you don't pay your taxes or borrow against your home, you will have a lien on your property.

The title insurance will pay the mortgage company the balance of the principle owed them over the life of a mortgage. If you purchase a home valued at \$100,000 and put down ten percent, then your title insurance will protect the amount owed the bank of \$90,000. As you pay off the equity, the bank is insured against only the remaining amount you owe. This means the insurance covers a depreciating amount over time.

Many policies also protect the home owner's equity investment. Of that \$100,000 home you put down \$10,000 in equity as downpayment, you are covered for that amount which increases year after year until the principal is paid off to the bank. You must check individual policies to see if they cover both the bank and yourself! Many times covering yourself is optional, but costs only a few dollars more.

To help save money, check to see if you qualify for a discount. Each state has different laws covering title insurance, and discounts are frequently offered for various reasons. If you are going to own a home only for a few years see if you can get a binder policy for a small premium, say 15%, and use the same title insurer with your new house. You will often get back the money you paid prior, minus the premium.