

## What is a title?

A title is the right to ownership and possession of home or property. It is possible that someone other than the owner has a legal right to the property. If that right can be established, this person can claim the property outright or make demands on the owner as to its use.

## What can make a title defective?

Any number of problems that remain undisclosed after even the most careful search of public records can make a title defective. You may not learn of these hidden defects for many months or years.

## What is title insurance?

Title insurance is the application of the general principles of insurance to real estate titles. But, unlike other types of insurance which protect the insured against loss due to unexpected future events, title insurance protects against loss which may occur due to events that took place in the past. Specifically, title insurance protects the buyer against loss resulting from previously unreported land title defects insured against, such as forgeries, claims by missing heirs, recording errors, etc.

## Types of policies

In Texas, the two most common types of title policies are "loan policies," which protect lenders, and "owners' policies," which protect property buyers. Most lending institutions will not loan you money to buy a house or other property unless you purchase a loan policy. This policy will repay the balance of your mortgage if a claim against your property voids your title.

## A title insurance policy states...

That if you, as insured, suffer a loss as a result of title defects, the insurer will indemnify or reimburse the insured for loss up to the face amount of the policy and any related legal expenses.

## How do title companies determine if a title is clear of defects?

By conducting an extensive search of the public records to determine whether or not there are any adverse claims to the title to the real estate. Those claims are either eliminated prior to issuance of a title policy or their existence is excepted from coverage.

## What do title companies do?

- Maintain a database of public records affecting land titles
- Help solve title defects prior to closing
- Issue title commitments with intent to issue a policies
- Act as an independent central clearing house—collecting necessary documents, following lender's instructions, making arrangements for proper payments and distribution of funds
- Prepare and/or coordinate closing statements (HUD-1 or Closing Disclosure, as applicable)
- Coordinate and handle the closings of the transactions
- Record title documents with appropriate counties
- Issue title policies

## How much does title insurance cost?

The one time premium, paid at the time of purchase of the home, is directly related to the cost of the home or piece of real estate. It provides coverage for as long as you own the property, finance any part of the purchase of the property by a subsequent buyer, or are liable for any title warranties you make when you sell the property.

## Is title insurance regulated?

In Texas it is fully regulated by the Texas Department of Insurance under the authority of the Commissioner of Insurance. Premiums paid are for title search, examination, closing the transaction and policy issuance. In addition to Title XI of the Insurance Code, there are many rules and regulations governing the Texas title insurance industry. All of the rates, rules and forms for the writing of title insurance in Texas can be found in the Basic Manual.

## How is title insurance different from other insurance lines?

There is a single premium and the coverage lasts as long as the insured has an insurable interest in the property described in the policy or provides title warranties to a subsequent buyer.

## How are the rates set?

The Commissioner of Insurance has the duty under the law to fix and promulgate the premium rates. The rates must be reasonable to the public and nonconfiscatory to the industry.

## Where can I find rules and regulations of the title insurance industry?

The Texas Title Insurance Basic Manual is a publication containing the latest Texas statutory changes as well as rules, rates and forms promulgated by the Commissioner.

[www.tdi.state.tx.us/company/titleman.html](http://www.tdi.state.tx.us/company/titleman.html).

## The Texas Title Insurance Act provides as follows:

The purpose of this title is to completely regulate the business of title insurance, including the direct issuance of policies and the reinsurance of any assumed risk, to protect consumers and purchasers of title insurance policies; and provide adequate and reasonable rates of return for title insurance companies and title insurance agents.

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