IF ONLY THEY HAD KNOWN

Protecting Your Home with an Owner's Policy

There are two types of title insurance: owner's title insurance, called an ***Owner's Policy***; and lender's title insurance, called a ***Loan Policy***. Most lenders require a Loan Policy when they issue you a loan, and the fee is usually based on the dollar amount of your loan. It only protects the lender's interests in the property. It does not protect the buyer.

A recent news article tells of a homebuyer who purchased a home on a land contract and made monthly payments of $1500 to the seller until they were able to secure a loan from a national lender. At the time, the lender required the buyer to purchase a Loan Policy. Because it is not required by law to purchase an Owner's Policy, the homebuyer closed on the home with only the lender's interest being protected by the Loan Policy.

Several years later, the owners of the home were notified that their house was being foreclosed on and the sale date was fast approaching. How could this have happened? As it turns out, there was a prior loan on the home that was never paid off by the previous owner. Because the current lender had required a Loan Policy, their interest in the property was covered. Had the current owners invested in an Owner's Policy, they too would have been covered. Unfortunately, without title insurance, they lost their home. Additionally, the resulting foreclosure may adversely affect their credit standing for years to come.

The homebuyers in the story above stated,

"We didn't buy title insurance. We were first-time homebuyers. Had we known about title insurance, [we] definitely would have gotten it."

Many homeowners mistakenly think that because a title search has been done on the property their interest is protected.

One thing is certain…If more homebuyers were aware of the protection a First American Title Owner's Policy provides, they would purchase one, and eliminate the unnecessary risk of losing their home.

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