Types of Title Insurance Policies
(Owner's/Lender's)

Lender's Policy

If you've ever mortgaged a home, chances are you were required to purchase a title insurance policy. This *lender's policy* (often called a loan policy) is required by most lending institutions as a way to insure their security interest in the property. This policy protects the bank or other lending institution for as long as they maintain an interest in the property (typically until your mortgage is paid off).

Owner's Policy

However, as a buyer, you also want to protect *your* investment – and the ownership rights that come with it. This is why it's wise to purchase an *owner's policy* of title insurance, which will protect your rights as the homeowner for as long as you or your heirs have an interest in the property.

Both title insurance policies not only pay valid claims and legal fees to defend against hidden title issues, but also help to decrease ownership risks by providing a thorough title search prior to the issuance of either policy.

Customs

There are various customs regarding the purchase of title insurance. In some areas of the country, it is customary for the seller to purchase the owner's policy for the buyer, whereas in other areas the owner's policy may be entirely optional.

Refinance Transactions

If you're considering refinancing your mortgage, you may be surprised to see that you are required to purchase a new lender's policy of title insurance. This is because a lender's policy only provides coverage for the life of a loan. When a home is refinanced, the life of one loan ends and another begins. Thus, a new lender's policy for title is required. Because an owner's policy provides coverage for as long as you or your heirs hold an interest in the property, there is no need to purchase a new owner's policy when refinancing.

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