

Understanding Title Insurance & Reducing Closing Costs

By Daniel Hodin

If you ask the right questions and have a basic understanding of title insurance it can go a long way toward reducing your closing costs.

Title insurance protects homeowners from unforeseen or unknown events or circumstances that adversely affect your ownership of a property or your beneficial use and enjoyment of it.

The standard owners' policy covers claims that arise from events existing at the time you bought your home. These sometimes include forged documents or documents signed by people who lack the mental competency, capacity or legal authority to sign. The standard owners policy also protects you if claims are made by anyone who should have joined in a deed but did not, such as co-owners, heirs, spouses or corporate officers. The most common claims covered under the standard policy arise from undisclosed (but recorded) prior mortgages or liens, undisclosed (but recorded) easements or use restrictions, erroneous or inadequate legal descriptions, lack of a right of access and deeds not properly recorded.

During the settlement process, you should ask the listing broker or the seller for a copy of their owners' title insurance policy that was issued when the property was purchased. This will entitle you to a 40% discount off the cost of a new policy, depending on the original purchase price of the property. You only pay this premium once and the coverage continues in effect for as long as you own the property.

If you are refinancing your mortgage on a residential property, you will be required to pay for a lenders' title insurance policy which protects the lender and insures their mortgage on the property. You will be entitled to a "Refinance Rate", which is a 40% discount off the standard premium. This rate is in lieu of a reissue rate. You no longer need to provide the owners' policy from your original purchase to be entitled to this discounted rate.