



# Title Insurance: What is it? Why do I need it? Who pays for it?

## What is title insurance?

Title insurance ensures that a buyer in a real estate transaction receives clear title to the property subject to only those exceptions which are excluded from the title insurance policy. Prior to closing, a title insurance commitment is typically issued and delivered to the buyer. The buyer then has a certain time period specified in the contract to review the title commitment and object to anything that renders title unmarketable. The title commitment includes the names of the buyer, seller, and any lender, as well as the legal description of the property being insured. The title commitment includes both requirements on the part of the closing agent in order to issue the title insurance, as well as exceptions to the title insurance coverage. Not all exceptions to the title insurance coverage are bad. Certain exceptions, such as a utility easement, may actually benefit the property by allowing for utilities. Depending on your perspective, recorded restrictions could be either a benefit by preserving the aesthetic character of a neighborhood, and a burden, by restricting the characteristics of your house, what you can park in the driveway, etc. The title commitment, along with a survey, is essential in confirming both clear title and what you may or may not do on your property. The nature and location of any exceptions should be carefully examined to confirm they do not interfere with the buyer's intended use. For this reason, title insurance commitments should be scrutinized and any objections to title should be made in accordance with the timeframes specified in the contract. After closing, a title insurance policy is issued to the buyer. If something arises after closing that is covered by title insurance, the title insurance underwriter has a duty to resolve the issue or pay the value of the title defect, up to the policy limits.

## Why do I need title insurance?

Title insurance is a standard requirement in most form real estate contracts. Title insurance is also required by lenders in financed real estate transactions. In a cash deal, you are not required to have title insurance, but for the reasons set forth above, it is certainly recommended. The relative cost of title insurance



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