

PROFILE: TITLE INSURANCE

When purchasing a home or other real estate, you actually don't receive the land itself. What you acquire is title to the property—which may be limited by rights and claims asserted by others.

Problems with title can limit your use and enjoyment of real estate, as well as bring financial loss. Title trouble also can threaten the security interest your mortgage lender holds in the property.

Protection against hazards of title is available through a unique coverage known as title insurance. Unlike other kinds of insurance that focus on possible future events and charge an annual premium, title insurance is purchased for a one-time payment and is a safeguard against loss arising from hazards and defects already existing in the title.

IT'S IMPORTANT TO KNOW THE DIFFERENCE

There are two basic kinds of title insurance:

- ☼ Owners coverage
- ☼ Lenders, or mortgagee, protection

Owners title insurance ordinarily is issued in the amount of the real estate purchase and lasts as long as the insured—or his/her heirs—have an interest in the property concerned. This may even be after the insured has sold the property.

The amount of lenders title insurance decreases and eventually disappears as the loan is paid off. Most lenders require mortgagee title insurance as security for their investment in real estate, just as they may call for fire insurance and other types of coverage as investor protection.

RISK ELIMINATION BEFORE INSURING

An important part of title insurance is its emphasis on risk elimination before insuring. This means the insured has the best possible chance for avoiding title claim and loss.

Title insuring begins with a search of public land records for matters affecting the title to real estate concerned. The examination of evidence from a search is intended to fully report all material objections to the title. Frequently, instruments that don't clearly pass title are found in the chain, or history, of ownership assembled from the records in a search. These need to be corrected before a clear title can be conveyed. Here are some examples of instruments that can present concerns:

- ☼ Deeds, wills and trusts that contain improper vestings and incorrect names
- ☼ Outstanding mortgages, judgments and tax liens
- ☼ Easements
- ☼ Incorrect notary acknowledgements

Through the search and the examination, title problems like these are disclosed so they can be cleared up whenever possible. But even the most careful preventive work cannot locate hidden hazards of title.



HIDDEN TITLE HAZARDS

In spite of all the expertise and dedication that go into a search and examination, hidden hazards can emerge after completion of a real estate purchase, causing an unpleasant and costly surprise. Some examples include the following:

- ☼ A forged deed that transfers no title to real estate
- ☼ Previously undisclosed heirs with claims against the property
- ☼ Instruments executed under expired or fabricated power of attorney
- ☼ Mistakes in the public records

Title insurance offers financial protection against these and other hidden hazards through negotiation by the title insurer with third parties, payment for defending against an attack on title as insured, and payment of claims.

INSIST ON TITLE INSURANCE

Because of title insurance, home buyers can enjoy complete protection against claim and loss. When title insurance is provided, lenders are willing to make mortgage money available in distant locales where they know little about market conditions.

Only title insurance issued through members of the American Land Title Association offers the unique safeguards that are essential for secure investment by both real estate purchasers and lenders. Make sure you are fully protected. Insist on a title insurance policy.



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NOTES:



WHY TITLE INSURANCE?

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