

Title Insurance Key Concepts

Title insurance insures against financial loss or damage resulting from defects or failure of title to a particular piece of real estate, or from the enforcement of liens existing against it at the time of issuance of insurance.

Title: an abstract concept that describes the current ownership (“vesting”), encumbrances, and rights and restrictions carried with the property.

General purposes of a title report in a real estate transaction:

- ◆ Review and acceptance by buyer as required by standard PMAR sales agreement.
- ◆ Verification by buyer of vested owner. (*Who has the right to sell it?*)
- ◆ Review and acceptance by buyer of covenants, conditions, restrictions, and easements.
- ◆ Provide parties (especially escrow) a “road map” to necessary steps to provide clear title to buyer.

The title report is also known as *Preliminary Commitment for Title Insurance, PTR, Prelim, or Commitment.*

Title insurance (and the title report) only covers items in public record:

- ◆ County Tax Assessor’s Records (Tax Rolls).
- ◆ City Lien Records.
- ◆ Deed Records (County Recorder).
- ◆ County Circuit Court Docket.



Owner’s Policy: Title policy issued to protect the buyer (usually paid for by seller).

Mortgagee’s Policy: Title policy issued to protect lender (usually paid for by buyer).

Endorsements: Riders to the Mortgagee’s Policy that provide additional coverage that the lender may require. Almost all lenders require the following:

- ◆ *OTIRO 209:* Provides coverage against violations of conditions, restrictions, covenants and encroachments.
- ◆ *OTIRO 59:* Identifies address of insured property by street and/or mailbox number.
- ◆ *OTIRO 208.1:* Provides coverage over environmental liens filed under Federal or State statutes.

Encumbrance: An instrument attached to real property that gives someone else a financial interest or specific rights in the property, or somehow limits the property owner’s rights or use of the property.

Lien: Recorded or filed financial or monetary encumbrance such as a trust deed (loan), judgment, etc.

ALTA: American Land Title Association