

The Value of an OWNER'S TITLE POLICY

(Q) Why do I need an Owner's Title Policy?

(A) It is critical that everyone understands the importance of an Owner's Title Policy. **AS OF OCTOBER 3, 2015, THE ALTA LENDER'S TITLE INSURANCE POLICY IS THE ONLY TITLE INSURANCE POLICY THAT WILL BE REQUIRED UNDER THE NEW CFPB RULES**, provided there is a lender involved in the transaction. The Standard ALTA Owner's Title Policy and ALTA Homeowner's Title Insurance Policy will be optional. The reason for the existence of an Owner's Policy is to protect the owners from the unknown. The ALTA Lender's Policy only protects the lender and offers no protection to the consumer. Without the Standard ALTA Owner's Title Policy and/or ALTA Homeowner's Title Insurance Policy, the new homeowners are not covered if any title problem arises.

There are numerous defects or problems that can arise against the title to a property. Many of these issues may not be discovered until months or years after a property is purchased. Some defects or issues are not disclosed even by the most prudent search. These hidden risks can seriously impact the consumer's investment if they are required to defend their title in a lawsuit. Owner's title insurance defends the owner in case of a lawsuit attacking the title, corrects title problems or pays the losses up to the face amount of the policy. The following list provides some of the more common situations that an Owner's Title Insurance Policy would protect against:

- **The forged deeds, releases, wills, or other legal documents**
- **Failure of spouses to join in conveyances**
- **Undisclosed or missing heirs**
- **Deeds from minors, strangers in title or persons of unsound mind**
- **Errors in indexing of public records**
- **Liens for unpaid taxes including estate, inheritance income or gift taxes**
- **Erroneous reports furnished by tax officials**
- **Mistakes in recording legal documents**

In addition to what is listed previously, if the ALTA Homeowner's Title Insurance Policy is issued, for an additional charge, provides the most complete coverage available on qualifying 1-4 family residential properties.

There are 32 coverages provided by the ALTA Homeowner's Title Insurance Policy, including, but are not limited to:

- **Building permit violations**
- **Enhanced access coverage/right of vehicular access to land**
- **Violation of restrictions on land**
- **Coverage for post-issuance encroachment**
- **Post-issuance forgery protection**
- **Five-year inflation protection/automatic increase in coverage**

In California, the consumer has a choice between the Standard Owner's Policy or the Homeowner's Policy, (as long as the property and owners qualify for the Homeowner's Policy). They can also choose to decline title insurance, and if they do our company requires a written waiver. We live in a litigious society, and if someday down the road the consumer suffers a loss that they later find out would have been covered had he/she purchased a Standard ALTA Owner's Title Policy and/or ALTA Homeowner's Title Insurance Policy, the homeowners and the real estate agents involved in the sale could eventually end up in a lawsuit. The written waiver is used to minimize any potential future liability.

A good explanation of the reasons to buy a Standard ALTA Owner's Title Policy or an ALTA Homeowner's Title Insurance Policy will benefit the consumer by assisting them in making the best decision for their needs. Your success is our success, and together we shall continue to provide the best quality services and products to our clients in this ever-changing market.

Source: Title Resource Guaranty Company, by Frank J. McGovern



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