

WHAT IS TITLE?

▶ Title insurance is a contractual obligation that protects against losses that occur when the title to a property is not free and clear of defects. A property title shows ownership transfers from one person or business to another. The title is composed of three key components:

1

Rights and interests that are published in public records or by inspection of the property (such as deeds, mortgages and leases).

2

Rights and interests that are not recorded but exist (such as limitations imposed by laws and statutes).

3

Rights and interests that are hidden (such as forgeries, secret marriages and unknown heirs).

WHY DO YOU NEED TITLE INSURANCE?

Title insurance protects you from problems with an ownership title when you buy real estate. These may be problems that existed before the purchase, such as: unpaid property taxes, fraud or forgery of previous paperwork, or a spouse or unknown heir who claims they own the property.

▶ Titles are made up of many different “rights” and “interests” that may be owned by different people. The most valuable rights and interests are owned by the property’s owners, but others may also have rights to the property for instance: liens, unpaid utilities, homeowner’s dues and/or mortgages. An encumbrance is a legal term for anything that affects or limits the title of a property. These limitations may consist of easements, mortgages or liens. When a person purchases property they acquire the seller’s rights and interests or “title”. Buyers need to know before the transaction takes place what rights or interests the seller can impart. The buyer must also be informed if others may have rights or interests in the property. As well as any encumbrances against the property that may affect their use of the property. Therefore, when looking to purchase a home the buyer may request a title search to reveal if there are any claims or liens on the property that could affect their purchase.



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