

# Why Two Types of Title Insurance?



By Gary M. Singer

**Some buyers question the need for an owner's title policy since their lender has one, but it's necessary for asset protection.**

**Question:** We are buying our first home and are stretching our savings to pay for the down payment and closing costs, not to mention the moving expenses. Our lender sent us our closing cost estimate, which showed that "owner's title insurance" was optional, even though we were required to purchase "lender's title insurance." What is the difference, and why do we even need it, let alone both types

**Answer:** Title insurance protects your ownership of your home. It covers claims against your property because of problems in its "chain of title" or the series of historical ownership records for your home. This type of insurance covers problems due to fraud, mis-indexed or defective

deeds, undisclosed heirs, forgeries, and unpaid liens threatening your ownership in your home.

If there is a problem, the title insurer will fix it, usually by hiring attorneys on your behalf or by writing a check.

There are two primary types of title insurance policies: one covers the homeowner, and the other covers the loan. Almost all mortgage lenders require borrowers to purchase a lender's policy when getting a loan for a reason — they want to protect the money they are lending you. Under this type of policy, if there is a problem with the property's title, the lender will get a check to cover the loss.

Unfortunately, this leaves the owner in the lurch because while the lender is made whole, the property owner may not own the property they purchased or at least have a significant problem to deal with.

This is where owners title insurance comes in and why it would be a mistake not to purchase the coverage.

Title insurance is relatively inexpensive, considering it covers the entire purchase price of your new home for as long as you own it. Also, when you purchase an owner's policy, you can buy the required lender's policy at a massive discount since much of the coverage overlaps.

Sometimes we hear people question the need for an owner's title policy since their lender is already getting one. They think their policy is unnecessary since the title insurer has to fix the issue for the lender anyway. This is a mistake since even if the lender gets a check for the remaining loan

balance, the owner could be out their down payment, along with the cost of improving the property and accrued equity.

Based on my experience, I would never purchase a property without getting an owner's title insurance policy.