

Understanding Title Insurance

What Is Title Insurance?

Title insurance provides coverage for certain losses due to defects in the title that occurred prior to your ownership. The seller can give you only those rights that have been previously received by him with good title. Title insurance protects against defects such as prior fraud or forgery that might go undetected until after closing and possibly jeopardize your ownership and investment.

The Title Industry in Brief

Prior to the development of the title industry in the late 1800s, a home buyer received a grantor's warranty, attorney's title opinion, or abstractor's certificate as assurance of home ownership. The home buyer relied on the financial integrity of the grantor, attorney, or abstractor for protection. Today, title insurance companies are regulated by state statute. They are required to post financial guarantees to insure that any claims will be paid in a timely fashion. They also must maintain their own title plants which house duplicates of recorded deeds, mortgages, plats, and other pertinent county property records.

When Are the Premiums Due?

There is a one-time premium which is paid at the close of escrow. It is customary for the Seller to pay for the owners policy. If there is a new loan, the Buyer pays for the lenders policy. The policy has a perpetual term and provides coverage for as long as you are in a position to suffer a loss. It cannot be canceled by the title company.

What to Look for in a Title Company?

You should insist on a title company with a stable financial history and an established background in Arizona. Your insurance has no benefit if your title company isn't around when you need it.

Do All Title Companies Offer the Same Protection?

Any standard residential owner's policy generally covers the same basic items. However, we offer First American Title's EAGLE Policy.

In Arizona, this policy combines the easy-to-understand Plain Language Policy with ten new coverages, some of which have never before been offered. For example, Post Policy Encroachment: you've owned your home for several years, and a neighbor builds a patio cover on your property. Or Post Policy Forgery: someone forges your name on a second mortgage. With our EAGLE Policy, you're covered. Ask your real estate agent for First American Title's EAGLE Policy.

Note: If you decide to sell this home in the future, new title insurance will be needed to protect your Buyer for the time prior to your ownership and for any defects that may have occurred during your ownership. When you sell you home, you may be eligible for First American's short-term (three-year or five-year) reduced-rate certificate. Talk with your escrow officer about our short-term rate.