

# texas Title Insurance



**T**itle insurance is a contract of indemnity between the insured and a title company. The form of the contract is determined by the Texas Department of Insurance. Likewise, title insurance rates in Texas are promulgated by the Department and are uniform for all title companies.

There are two major types of policy. The Owner's Policy of Title Insurance is issued to an owner/purchaser and insures against certain listed title risks. The Mortgagee Policy of Title Insurance is issued to a lender and insures the validity of the lender's lien against the property.

Before issuing a title policy, a careful search is made of the county, state, and federal records that affect real estate. This is accomplished by using the company abstract plant which maintains references to every deed, mortgage, death, divorce, etc. which might affect property. These instruments are examined by lay examiners employed by the title company. Based upon the results of the examination, the title company decides whether to issue a policy

Some of the risks that exist which a title policy may protect against include: forgeries, false representations, mistakes at law, undisclosed heirs, illegal trusts, delinquent taxes, fraud, lost wills, mistakes in legal description, clerical mistakes, defective acknowledgments on documents and platting discrepancies.

In most cases, it is customary that the seller of the property pay for the Owner's Policy, but this is

sometimes a matter of negotiation, and in many instances is paid for or partially paid for by the buyer. The premium for the Owner's Policy is based on the sales price. The borrower is responsible for paying for a Mortgagee's Policy, which is based on the amount of the loan.

The federal government and big business companies require title insurance when they deal in property loans — you could not afford a loss better than they could. Title insurance rates are fixed by the insurance board of the State of Texas.

The title insurance company also acts as an escrow agent between the seller, buyer and lender and has responsibilities to all parties for fair dealing. The title insurance company receives the buyer's money as well as all other documentation required for the transaction. When all requirements of the contract and the lender are satisfied, the transaction is "closed."

## title policy protections

- Forgeries
- False representations
- Mistakes at law
- Undisclosed heirs
- Illegal trusts
- Delinquent taxes
- Fraud
- Lost wills
- Mistakes in legal description
- Clerical mistakes
- Defective acknowledgments on documents
- Platting discrepancies

