

CONSUMER GUIDE TO TITLE INSURANCE IN [Insert State]



This guide provides:

- The basics of title insurance.
- The importance of title insurance.
- Shopping tips for title insurance and closing services.
- Questions to ask before purchasing title insurance.

[DOI Website Address]

[DOI Logo]

[Commissioner Name]

Drafting note: This template is designed for state insurance departments interested in creating a consumer education publication about title insurance. It serves as a comprehensive guide that can be customized to suit the specific needs of each state.

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Disclaimer: The information included in this publication is meant to serve as a guide and is not a substitute for legal or professional advice. Please contact a professional if you have any questions.

INTRODUCTION

Buying or refinancing a home is a significant financial decision that involves numerous factors. One critical but sometimes overlooked step is choosing title insurance. This coverage plays a key role after loan approval and before closing in protecting your legal ownership of the property from past issues that may not be discovered until later.

Do you need to buy an owner's title insurance policy if it is not required? ¹

¹ **[Drafting note:** *If your state requires an owner's policy, use this sentence: "In {State}, you must buy an owner's policy." If your state does NOT require an owner's policy, use this sentence: "While some states require you to buy an owner's policy, {State} does not."*]

When purchasing title insurance, ensure it is from a title insurance agent or company licensed to do business in { State }.²

² **[Drafting note:** *If your state has an agent locating/verification tool, this is a great place to reference the website specific to the agent verification tool and/or contact number for the state's licensing office.*]

Sometimes, you might be offered an attorney opinion letter (AOL) instead of title insurance.³ You should understand that these products do not and cannot provide the same protection as title insurance and do not go through the same consumer protection and regulatory oversight by [the State department of insurance]

³ **[Drafting note:** *Choose the appropriate sentence: "While {State} regulates title insurance, it does NOT regulate AOLs." "{State} regulates both title insurance and AOLs." "{State} does not regulate either title insurance or AOLs."*]

This shopping tool focuses on title insurance—what it is, when it is required, why it is important, and information to assist in choosing the right policy.

WHAT IS TITLE INSURANCE AND WHAT DOES IT COVER?

A deed is a legal document that conveys the legal ownership of a property.

Title insurance is an insurance policy that covers *past* title problems that come up *after* you buy or refinance a property.

Lost, forged, or incorrectly filed deeds, property access issues, and liens on a property are just a few of the title problems that could come up after you buy or refinance a home or land.

For example, if you get a letter telling you there is an unpaid mortgage on a home you just bought, you could submit a claim to your title insurance company. The title insurance company would cover the costs of legal representation and other associated expenses to defend against the claim to title in settling the dispute and/or resolving the issue.

Deleted: the legal fees incurred

Without title insurance, you might have to pay all of the legal costs to settle the dispute. And if you lose the dispute, you could lose money, the equity you have in your home, and possibly your home.

Two Types of Title Insurance—Owner's and Lender's Policies

There are two types of title insurance policies:

1. An Owner's Title Insurance Policy

An *owner's policy* protects *you* for the full price you paid for the home, plus legal costs if a past covered title problem comes up after you buy your home. The coverage in an owner's policy is often for the amount you paid to buy your home. The policy will cover you as long as you own an interest in the property. You're not required to buy an owner's policy, but if you don't, you could lose the money you've paid for your home if there's a problem with the title.

If a basic owner's policy does not cover a specific title issue, you can often add coverage, known as a *policy endorsement*. Suppose you are buying a new home and the owner's policy doesn't cover claims a contractor files (often known as a mechanic's lien). You can add a policy endorsement to ensure you're covered. Some endorsements are included in the cost of the insurance, while others cost extra.

An *enhanced owner's policy*, which has more coverage than a standard owner's policy, may also be available in your area. Enhanced owner's policies cost about 20% more than a standard owner's policy, but they cover extra risks. An enhanced owner's policy may also continue to cover you after you no longer own a property.

2. A Lender's Title Insurance Policy

If you borrow money to buy your home or property, your lender is likely to require you to buy a *lender's policy*. A lender's policy only protects *the lender* if a title problem comes up after you buy the property. The coverage in a lender's policy is for the amount of the mortgage and goes down as you pay down your loan. Unlike an owner's policy, the lender's policy ends when you pay off your mortgage. You may have to pay the premium for a lender's policy.

Because a lender's policy only protects the lender from title problems, you'll also need an owner's policy if you want to protect yourself and the equity you have in your home.

What Doesn't Title Insurance Cover?

Title insurance policies *do not* cover ownership issues that come about *after* you've bought a home. For example, if your neighbor builds a fence on your property line or a contractor files a lien after you've bought your home, your title insurance policy won't cover the costs to settle the dispute.

Also, your title insurance policy might not cover certain existing issues with the home. For instance, the home could have an undisclosed easement or an

ongoing boundary dispute. Your title insurance typically won't cover the costs of resolving them.

A title policy primarily covers past title defects, such as forged documents and erroneously filed titles, but does not address current issues that have arisen since the closing. Ask for a list of what will and won't be covered and ask questions to ensure you understand the differences.

CHOOSING A TITLE COMPANY AND BUYING TITLE INSURANCE: RIGHTS, COSTS, AND REFERRALS



You have the right to shop for and choose who provides your title insurance and conducts the closing!

When purchasing a home, selecting the right title company and understanding your title insurance options are crucial steps to protect your investment and ensure a smooth closing process. Prior to, or more likely, at the time you submit an offer to purchase a property, you will be asked to identify a title company to handle your real estate closing, also known as settlement.

This company will be responsible for several crucial steps in the property purchasing process, including purchasing title insurance. At all times during the process, you have the right to select your title company for your transaction. At no point should you be pressured, coerced, or required to sign an agreement with a company not of your choosing.

Who Sells Title Insurance and Who Pays for It?

You can start looking into title insurance when you begin your home search. Only licensed companies, agencies, or agents are allowed to sell title insurance policies. You can get advice on which company to choose from friends, family, online reviews, or your real estate agent.

Who pays for title insurance depends on local rules and traditions, but buyers and sellers can also negotiate this in their deals. Often, the seller pays for the owner's policy, and the buyer pays for the

lender's policy. If you're buying a home, ask your real estate agent who usually pays for title insurance in your area.

If you are refinancing, you, as the homeowner, must buy and pay for the new lender's title insurance policy. Generally, you will not need a new owner's policy if one was purchased at the time of the original house purchase. Title insurance is paid with a one-time payment at closing.

Be Aware

The company that your agent or broker recommended may indicate that there is an affiliated business arrangement (ABA) between the party making the recommendation and the title insurance agent or company that was recommended. There may be a financial agreement in place that gives the agent an incentive to make this recommendation.

If one of these arrangements exists, it must be disclosed to the buyer in writing prior to closing. Often, the title company is pre-filled on the offer paperwork, and this disclosure is included. It will name the company making the referral and the company you're referred to, explain the companies' type of ownership and financial interest, and estimate the charges or a range of charges.

An affiliated business arrangement can potentially lead to a smoother transaction and better coordination of services due to the established relationship; however, it may also result in higher costs, a conflict of interest, and poorer service, as

the focus is more on financial gains. At no point are you required to hire that affiliated business.

Affiliated Business Arrangements in the Law



The Federal Real Estate Settlement Procedures Act (RESPA) defines and regulates affiliated business arrangements (ABAs). This law requires a written disclosure that names a specific title company and explains that the agent has a financial interest and will make money if you use this title company. RESPA prohibits kickbacks and referral fees for parties involved in real estate settlements.

What Does a Title Insurance Policy Cost?

The cost of a title insurance policy premium is typically tied to the market value of the home.

If you're buying an owner's policy, the selling price of your home determines the cost of your policy.

If you're buying a lender's policy, the price of title insurance will depend on your loan amount.

When you buy title insurance, ask if you're eligible for any discounts. If there was a previous title policy on the home (because the home changed owners or you're refinancing), you may be eligible for a discount known as a "reissue rate."

If you buy both an owner's and a lender's policy from the same company, you may get a simultaneous issue discount.

How to Decide Which Company?

Regardless of who provides you with a referral to a title company, it is essential to compare the costs and fees that each company estimates and ask questions. While the cost of a title policy is fixed based on the price of your property, fees can vary wildly between title companies.

The cost comparison chart on page 16 breaks down several fees that may be different. Ask for an estimate of these fees and costs based on the anticipated purchase price of the property. If you do not understand what a fee or cost is for, ask questions and do not accept statements like:

"Everyone charges the same price."

"We'll give you a discount on something else if you use our title agent."

"If you choose another title agent, your purchase may be delayed."

A title company should be willing and able to answer all your questions before you make a decision. Even if the process feels rushed, federal law gives you the right to see a closing disclosure at least three business days before closing.

Shopping around and asking questions allows you to make an informed decision, find a company you feel confident in, and maybe even save money.

CAN I USE AN ATTORNEY OPINION LETTER INSTEAD OF TITLE INSURANCE?

A mortgage lender may offer you an attorney opinion letter (AOL) as an alternative to traditional title insurance. An AOL is a letter an attorney writes. The letter states who owns the property and the attorney's opinion regarding any potential legal issues with the title.

A lender might offer AOLs in an attempt to reduce closing costs. However, AOLs typically aren't cheaper than title insurance, especially when factoring in commonly available title insurance discounts. Additionally, not all lenders accept AOLs. Whether they do varies by the type of transaction, the location of the property, and the specific lender's policies.

How Does a Standard AOL Compare to Title Insurance?

Title insurance and AOLs are different.

One important difference is that standard AOLs generally only protect the lender. With title insurance, you can protect both the home buyer (owner's policy) and the lender (lender's policy). When buying coverage for yourself and your lender at the same time, the available simultaneous issue discount will often make the cost of lenders coverage significantly cheaper than the AOL.

Unlike title insurance, standard AOLs do not typically cover fraud, forgery, or liens that aren't in public records. An AOL only shows the condition and ownership of a property's title based on a reasonable review of public records as of the day the AOL is issued. Fraud and other matters undiscoverable in a public record search account for roughly one third of claims paid by title insurers (especially in refinances). The average fraud claims costs title insurers roughly \$150,000 to resolve.

Likewise, standard AOLs don't pay your legal costs and expenses to fix your title problems.

How Does an Insured AOL Compare to Title Insurance?

Insured AOLs became available in April 2022, when Fannie Mae first announced they would accept them as an alternative to title insurance for loans acquired in certain situations. This opened up a new AOL that could provide some liability protection with the issuance of a limited liability insurance policy.

The liability insurance coverage being offered acts as a safety net for attorney errors, typically only protecting only the lender, not the borrower. Additionally, this insurance coverage is often offered by unlicensed insurers and may run afoul of state insurance laws. So even if the AOL is being marketed as insured, remember it is designed to protect the issuing attorney. Home buyers would be wise to also get an owner's title insurance policy to protect themselves(s).

Newer AOL products may offer limited protection for the lender and owner. If an AOL is being offered with claims to include owner/home buyer protections, review the conditions of the AOL and coverages being offered carefully, and ask questions.

INPUT SOUGHT FOR POTENTIAL CHART

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TITLE INSURANCE AND THE CLOSING PROCESS

The Closing

The closing is the final step in buying or refinancing a home. The closing can be in person, remote, or by mail. An in-person closing usually takes an hour or two. Several individuals may attend, including the seller, real estate agents, attorneys, title agents, and lenders. If you can't be there in person or remotely, you can appoint someone to sign documents on your behalf.

You pay the title insurance premium only once—at closing.

However, remember that your policy protects you against title issues for as long as you own the property.

A closing agent is responsible for managing the closing and coordinating the steps to finalize the transaction. Closing agents can be title agents or attorneys. After the seller accepts your offer or the lender approves your refinancing, you'll work

together to choose a closing date. On that day, you and the seller must settle any outstanding debts and sign the necessary legal paperwork to finalize the transaction.

Understanding Closing Documents

The closing disclosure is an important document. The disclosure details all payments required to complete the transaction, including title insurance premiums and closing protection letter premiums/fees.

Federal law lets you review your closing disclosure at least three business days before closing. Reviewing the disclosure as soon as possible gives you more time to ask questions and avoid delays in your closing date.

You'll sign many documents at closing. Be sure you understand what you're signing.

After closing, you'll receive copies of all signed documents. The table below illustrates the closing process.

Closing Agent Responsibilities in a Real Estate Transaction

	Contract and Earnest Money	Receive the signed contract and earnest money deposit from the buyer and seller.
	Title Search	Confirm the title search has been completed and that all identified issues have been resolved before closing. A title search reviews the property's history to identify potential title issues, such as liens, disputes, or outstanding mortgages.
	Title Insurance Commitment	Provide a commitment report detailing the title insurance premium, requirements, and exceptions, such as easements.
	Closing Documents	Prepare the closing disclosure and other necessary documents for closing.
	The Closing	Oversee signing of all required documents and distribute funds (pay off liens, disburse proceeds, pay premiums, etc.).
	Recording Documents	File paperwork with the county to update public records with the new ownership and lender information.
	Issuing Title Policies	Send the owner's title policy and recorded deed to the buyer, and the lender's title policy to the lender. (You should keep your title policy as proof of title insurance.)

Closing Protection Letters

Title insurance doesn't protect the lender or buyer against mistakes made during the closing, or if money is stolen or paid to the wrong parties. For an added fee, title insurance companies offer closing protection letters. These letters indemnify lenders [or depending on the state, buyers and/or sellers] against actual losses resulting from certain miscount by the closing agent.

If you buy a closing protection letter, the title insurance company will reimburse you for any money you lose from negligence, fraud, theft of funds, or errors the closing agent made that affect the status of title. Without this protection, you'd have to sue the agent to get back any money lost.

If you purchase closing protection coverage, be sure to request a copy of the closing protection letter for your records.⁴

⁴ *Drafting note: States that do not require closing protection, have modified coverage requirements, or have determined a closing protection letter to be insurance should delete or edit this section accordingly.*

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The Difference Between Title Insurance and Homeowners Insurance

Title insurance is different from homeowners insurance (sometimes called hazard insurance).

Title insurance protects you against past title problems. Homeowners insurance protects you against future issues that cause damage to your home or personal property. Homeowners insurance also limits your personal legal responsibility (or liability) if someone is injured while they're on your property.

Licensed title insurance agents and companies sell title insurance. Insurance agents licensed to sell property/casualty insurance sell homeowners insurance.

You pay for title insurance just once when you buy or refinance your home. For homeowners insurance, you make your first payment at closing and then keep paying regularly (such as every month or year) to keep your coverage active. Homeowners insurance needs to be renewed each year, and often involves the payment of a deductible.

Homeowners insurance does not protect your ownership of the property and does not replace the need for title insurance. The table below summarizes the difference between title insurance and homeowners insurance.

Features	Title Insurance*	Homeowners Insurance*
Protection	Covers defects in the property's legal history or title.	Covers physical damage to the home and personal property from future events, as well as liability risks.
Timeline	Covers specified past and existing issues with a property.	Covers future damage and liability.
Common Issues Covered	Prior liens, errors in public records or past deeds, heirs and claims, and forged documents.	Damage from fires and storms, theft and vandalism, personal liability, and additional living expenses.
Payment	One-time premium paid at closing.	Recurring monthly or annual <u>premium payments, plus deductibles.</u>
Policy Duration	Lasts as long as you or your heirs own the property.	Lasts for the policy term and must be renewed.

*Always review your policy for terms and conditions.

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For more information concerning homeowners insurance, refer to the NAIC's [A Consumer's Guide to Home Insurance](#) and the NAIC's [A Shopping Tool for Homeowners Insurance](#).



HOW TO PROTECT YOURSELF FROM REAL ESTATE FRAUD

Scammers often target real estate transactions. They use fake documents, hacked emails, and even artificial intelligence (AI) technology to steal money or property. While title insurance protects against past ownership issues, it may not cover scams that happen during the closing process.

The good news is that there are simple steps you can take to recognize fraud and keep your transactions secure.

Common Types of Scams

Seller Impersonation Fraud: Scammers use fake IDs or paperwork to pretend to own a vacant or rental property. They quickly list the home for sale and try to close the deal fast to steal the money.

Wire Transfer Fraud: Hackers break into email accounts and send fake wiring instructions that look like they came from your title company, agent, or attorney. If you send money to these accounts, it may be lost forever.

Mortgage Payoff Fraud: Criminals claim to be your lender or closing agent and trick you into wiring your mortgage payoff to the wrong place.

AI-Powered Voice Scams: Scammers use AI to mimic the voices of people you trust, convincing you to change payment or closing details.

Deed Theft: Criminals illegally transfer property ownership to themselves by forging documents, such as deeds. They then use this fake ownership to sell the home, secure loans against it, or rent it out to unaware tenants.

Signs of a Scam

- ✓ Requests to change payment or wire instructions via email or text.
- ✓ Unwillingness to speak by phone or meet in person.
- ✓ Pressure to close quickly or remotely.
- ✓ Properties priced well below market value or in poor condition.
- ✓ Closings scheduled for weekends or holidays.

Steps to Stay Safe

- ✓ **Get a verified contact list:** Collect phone numbers and email addresses for all closing professionals from trusted sources.
- ✓ **Use secure platforms:** Choose title insurance companies that offer fraud-prevention tools like CertifiD or ClosingLock.
- ✓ **Review documents carefully:** Read your title commitment and closing disclosure in advance. Watch for unusual terms or instructions.
- ✓ **Double-check wire transfers:** Before and after sending money, speak directly with your title insurance or closing agent to confirm that it was received.
- ✓ **Verify all changes:** If you're asked to update any part of the closing process, call your contacts using known numbers to confirm.

- ✓ **Stay vigilant after closing:** Monitor your property for ongoing changes to your deed and title. You can use public land records

or pay for a title monitoring service. [Insert jurisdiction-specific information.]

Consider buying enhanced title insurance products.
Many title insurers sell an enhanced title insurance policy (typically called the “homeowners title policy”) that provides coverage for matters arising after closing related to title fraud. In markets where a “homeowners title policy” is not available, similarly coverage may be available by endorsement from your title insurer. Under these products a title insurer will cover potential legal costs to correct the public record if forged deeds or mortgages are recorded against a homeowner’s property.

What to Do if You Suspect Fraud

- ✓ Contact your bank immediately to attempt a wire recall.
- ✓ Notify your title insurance company and all parties involved in the transaction.
- ✓ Alert your credit bureau.
- ✓ Call your local Federal Bureau of Investigation (FBI) office and report the crime.
- ✓ File a report with the FBI’s Internet Crime Complaint Center: www.ic3.gov.

HOW TO FILE A TITLE INSURANCE CLAIM

If there's an issue about your home's title, contact your title insurance company as soon as possible. If you don't know the name of your title insurance company, check the paperwork you signed when you bought or refinanced your home.

You can contact your title insurance agent or closing company for help. They will look into the issue and [help](#) determine if a valid claim exists. If so, a process will be explained to you to resolve the issue.

The [INSERT DOI NAME] Is Here to Help

For more information about buying insurance, please visit [INSERT DOI WEBSITE ADDRESS], or call [INSERT TELEPHONE NUMBER].

As a consumer protection agency, the [INSERT DOI NAME] can also help if you think an insurance agent or company has misled you or acted improperly.

To file a complaint, please visit our website at [INSERT WEB ADDRESS] or send a written complaint and any supporting documents to:

[DOI Logo]

[DOI Address]
[City, State Zip Code]
[DOI Telephone Numbers]

[DOI Website]

[DOI Facebook/X Handles]

OTHER RESOURCES

To verify that professionals who will help you with your real estate transaction are licensed, please contact:

Real Estate Agent
[STATE AGENCY NAME]

[STATE AGENCY ADDRESS]

[CITY, STATE & ZIP CODE]

[AGENCY WEBSITE]

[AGENCY TELEPHONE NUMBER]

Bank/Mortgage Lender
[STATE AGENCY NAME]

[STATE AGENCY ADDRESS]

[CITY, STATE & ZIP CODE]

[AGENCY WEBSITE]

[AGENCY TELEPHONE NUMBER]

Real Estate Appraiser
[STATE AGENCY NAME]

[STATE AGENCY ADDRESS]

[CITY, STATE & ZIP CODE]

[AGENCY WEBSITE]

[AGENCY TELEPHONE NUMBER]

Insurance Agent /
[STATE AGENCY NAME]
Insurance Company
[STATE AGENCY ADDRESS]
and
[CITY, STATE & ZIP CODE]
Title Agent
[AGENCY WEBSITE]
Title Insurance Company
[AGENCY TELEPHONE NUMBER]

Attorney
[STATE AGENCY NAME]

[STATE AGENCY ADDRESS]

[CITY, STATE & ZIP CODE]

[AGENCY WEBSITE]

[AGENCY TELEPHONE NUMBER]

To find other useful information about the home-buying process, please contact:

U.S. Department of Housing and Urban
Development
451 7th Street S.W.
Washington, DC 20410
202-708-1112
www.hud.gov

Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244
855-411-2372

855-237-2392 (Fax)
<http://www.consumerfinance.gov>

National Flood Insurance Program
500 C Street SW
Washington, DC 20472
800-621-FEMA
www.FloodSmart.gov

FBI Internet Crime Complaint Center
www.ic3.gov

FTC Identity Theft Help
www.identitytheft.gov

[OTHER SOURCE NAME & INFO]

TOOLKIT

These pages are designed to be a practical toolkit. You're encouraged to print and use these materials during your decision-making process. Have a printed copy with you during meetings with title insurance agents, real estate agents, or when you review documents. Each section offers key questions to protect your interests.

When you shop for title insurance, be sure to ask the title insurance agent or company the following questions:

- ✓ How long have you been licensed to sell title insurance in [INSERT STATE]?
- ✓ What title insurance companies' policies do you sell?
- ✓ Are title insurance premiums regulated in [INSERT STATE]?
- ✓ Are any discounts available?
- ✓ Are you related or affiliated in any way with my real estate agent, mortgage lender, builder, or attorney?
- ✓ Will anyone be paid a referral fee or commission, or be compensated if I buy title insurance from you or a company you represent?
- ✓ In addition to title insurance premiums, what other fees and charges will I pay?
- ✓ What policy endorsements are available?
- ✓ Do you charge a cancellation fee if I don't buy title insurance from you after you do a title search?
- ✓ Will I need to pay for a survey (a professional drawing of the property's boundaries and home location) before you can sell me title insurance?

If you are considering a standard attorney opinion letter (AOL) or an insured AOL, be sure to ask the following questions:

- ✓ How is an AOL different from title insurance?

✓ How does the cost of an AOL compare to the cost of title insurance?

- ✓ Will my lender accept an AOL instead of title insurance?
- ✓ Is there any extra insurance with the AOL? If yes, who is it from, and what does it cover?
- ✓ If there's a problem, do I have to go to court to get help?
- ✓ What problems won't the AOL cover?

When choosing a closing agent, be sure to ask the following questions:

- ✓ Can you give me a list of all the fees and charges I would pay if you were my closing agent?
- ✓ What fees and charges are negotiable?
- ✓ Are your closing staff licensed title insurance agents?
- ✓ How and when do you conduct closings?
- ✓ Who will handle my closing?
- ✓ When will you give me a copy of the closing document?
- ✓ Do you have references or testimonials from former clients?
- ✓ Do you offer closing protection coverage?
- ✓ How much does closing protection cost?

Shop Around for Title Insurance and Closing Services

You should shop for title insurance and closing services, as premiums and fees can vary. Use the chart below to see how much you'll be charged for specific premiums, fees, and services.

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Cost Comparison Chart

	Company Name	Company Name	Company Name
Title Insurance			
Premium Price (Lender's Title Policy)	\$	\$	\$
Premium Price (Owner's Title Policy)	\$	\$	\$
Endorsement Price	\$	\$	\$
Title Search Fee	\$	\$	\$
Closing Protection Letter	\$	\$	\$
Deed Preparation Fee	\$	\$	\$
Other	\$	\$	\$
Other	\$	\$	\$
Total:	\$	\$	\$
	Company Name	Company Name	Company Name
Closing Costs			
Government Recording Charge	\$	\$	\$
Tax & Other Certifications	\$	\$	\$
Overnight Mail	\$	\$	\$
Wire Fee	\$	\$	\$
Transfer Tax	\$	\$	\$
Notary Fee	\$	\$	\$
Settlement Fee	\$	\$	\$
Document Preparation Fee	\$	\$	\$
Email/Electronic Doc Fee	\$	\$	\$
Other	\$	\$	\$
Other	\$	\$	\$
Total:	\$	\$	\$

GLOSSARY OF TERMS AND DEFINITIONS

Affiliated Business Arrangement: An affiliated business arrangement occurs when someone who can refer business related to a real estate settlement service, such as a mortgage loan, or their associate, has an ownership interest of more than 1% or another type of affiliation with a settlement service provider, and refers or influences others to use that provider.

Attorney Opinion Letter: A legal opinion from an attorney on a property's title status.

Closing: The process of completing a real estate transaction during which deeds, mortgages, leases, and other required instruments are signed and/or delivered, and accounting between parties is made, and the money is disbursed.

Closing protection letters: A document issued by a title insurance company in connection with an about-to-be-issued title insurance policy. It protects a mortgagee who is forwarding funds to a title insurance company's agent or attorney against embezzlement of funds or failure to follow specific closing instructions.

Commitment: The preliminary report or binder issued prior to the issuance of a title insurance policy containing the terms, conditions, exceptions, and any other matters under which the title insurer is willing to issue its title insurance policy.

Deed: A deed is a legal document that conveys legal ownership.

Defect: A blemish, imperfection, or deficiency. A defective title is one that is irregular and faulty.

Earnest money deposit: Down payment made by a purchaser of real estate as evidence of good faith; a deposit or partial payment.

Exception: Any item specifically excluded.

Insurance: A contract under which, for consideration, one party agrees to indemnify another for a possible loss under certain conditions.

Lien: An encumbrance against property for money, either voluntary or involuntary. All liens are encumbrances, but not all encumbrances are liens.

Lender's policy: This policy protects the bank or other lending institution for as long as they maintain an interest in the property (typically until your mortgage is paid off).

Loan closing: The time agreed upon by a borrower and a lender when the execution of the loan documents by the borrower occurs.

Owner's policy: A policy of title insurance usually insuring an owner of real estate against loss occasioned by defects in, liens against, or unmarketability of the owner's title.

Policy: A contract insuring or indemnifying owners of, or other persons lawfully interested in, real or personal property or an interest in real or personal property against loss or damage.

Premium rates: Price for a unit of insurance.

Real Estate Settlement Procedures Act (RESPA): Section 8 bans paying or accepting fees or kickbacks for referring settlement services for real estate-related activities. It also does not allow splitting fees between parties unless they actually performed a service. Section 9 prohibits sellers from requiring buyers to use a specific title insurance company as a condition of sale, either directly or indirectly. More information on RESPA can be found here: <https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/real-estate-settlement-procedures-act/>

Recording: Filing documents affecting real property as a matter of public record, giving notice to future purchasers, creditors, or other interested parties. Recording is controlled by statute and usually requires the witnessing and notarizing of an instrument to be recorded.

Referral: The directing of title insurance business, whether or not the consent or approval of any other person is sought or obtained with respect to the referral.

Settlement: The time when the settlement agent has received a duly executed deed, loan funds, loan documents, and other documents, and certified funds required to carry out the terms of a contract between the parties, and the settlement agent can reasonably determine that pre-recording conditions of the contract have been satisfied.

Simultaneous issue: When an owner's and lender's title insurance policy is issued at the same time. Such issuances could allow for a reduced premium.

Title: A combination of all the elements that constitute a legal right to own, possess, use, control, enjoy, and dispose of real estate or a right or interest therein. (2) The rights of ownership are recognized and protected by the law.

Title agent: A person licensed to work for a title insurance company who decides if a property can be insured and issues title insurance reports or policies based on a review or search of the property's title history. They also collect or pay out funds like premiums or escrow, handle escrows and closings, seek or negotiate title insurance business, or file closing documents.⁵

⁵ *Drafting Note:* If a jurisdiction uses different terminology, such as "producer" instead of "agent," this definition can be modified accordingly.

Title defect: Title to real property that lacks some of the elements necessary to transfer good title.

Title insurance: Indemnity against loss resulting from defects in or liens upon a title.

Title insurer: An entity that underwrites title insurance coverage.

Title search and examination: A review of all recorded documents affecting a specific piece of property to determine the present condition of the title.