

Why You Need Title Insurance





Tell the truth. Do you *really* know what title insurance is?

Why most people should have it? Why it costs what it costs? Most people don't. In fact, a recent survey by the American Land Title Association revealed that most homebuyers think of title insurance as "just another fee" they have to pay to buy a home. They don't really know what it does, or how it protects them.

When you purchase a home, how can you be sure that the seller really owns the property and has the right to sell it to you? That there are no debts, liens or unpaid taxes that will become your problem? Title issues can limit your use and enjoyment of the property, as well as create a potential financial loss.

Title insurance is very unique compared to other lines of insurance. It does not address hazards that might occur after you buy the property. Instead, title insurance companies search for problems related to past ownership that need to be corrected or excepted from coverage before the property changes hands. In other words, title insurance covers mistakes and unknown factors that may exist prior to closing. The Texas Department of Insurance regulates title companies in Texas and sets fees, so there is no need to "shop" to compare premiums. A title policy premium is a one-time fee – there are no annual renewals like we pay for health, homeowner and auto insurance.

Once a sales contract has been signed by all parties, your title company searches the public records connected with the property and previous owners, going back many years. More than 1/3 of all title searches reveal a title problem that must be addressed before closing. For instance, a previous owner may have had minor construction done on the property but never paid the contractor, or the contractor did not pay his

subcontractors, resulting in a lien claim. There may be a lien on the property for unpaid taxes by a previous owner, a missing signature of an heir in a prior transfer of the ownership, or failure to file a release of lien on a past mortgage.

Sometimes title problems occur because of matters that did not appear in the public records. To help protect purchasers in these instances, it is recommended that they obtain an Owner's Policy of Title Insurance to insure them against unforeseen problems.

Possible hidden title problems can include:

- Errors or omissions in deeds
- Mistakes in examining records
- Forgery
- Undisclosed heir
- Supplemental tax bills





The Owner's Title Policy

The cost of Owner's Title Insurance, or the "Owner's Policy," is based on the sales price of the property. It protects the buyer(s) for as long as they or their heirs have an ownership interest in the property. For more information on the cost of premiums, please refer to the rate schedule included in this piece, or visit www.IndependenceTitle.com, choose your metro area, and go to the Title Premium Calculator in the Tools and Resources section.

Examples of Claims Against an Owner's Title Policy

Tax Example:

Mr. Buyer purchases a home from Mrs. Seller. Two years before the sale, Mrs. Seller added a detached garage, but did not get permits or notify the county tax office. Three years after Mr. Buyer purchased the property, the county tax office sends him a bill for back taxes on the improved property, going back to the date Mrs. Seller built the garage.

Heirship:

When a homeowner dies without a will, state law allows that two people outside the family ("disinterested parties") may submit an Heirship Affidavit establishing who the heirs to the property should be. Obviously there could be relationships that are unknown to them. Heirs that were not accounted for can appear years later and claim some of the proceeds of the sale from the new owner, or claim some ongoing interest in the property.

Forgery:

It is possible that documents in the chain of title may be forged, especially releases of lien (document that falsely claims a debt was paid), fraudulent "conveyances," (deeds that transfer title to the property), and powers of attorney. In one common scam, a fraudster identifies a property not occupied by the owner, files a fake deed transferring title into their own name, and "sells" the home to an unsuspecting buyer.

Considering an Enhancement to Your Owners Title Policy?

Amendment to Area & Boundaries Exception

With a satisfactory survey reviewed and approved by the title company, the buyer may choose to remove a portion of the Area & Boundary Exception, which adds some coverage back into the Owner's Title Policy. The cost to the responsible party (as determined by the contract) is 5% of the basic title insurance premium for a residential real property.

T-19.1: Restrictions, Encroachments, Minerals Endorsement.

Insurance coverage relating to violations of enforceable restrictions, violation of building setbacks, reversionary rights, encroachments upon and beyond the property, and damage to improvements resulting from surface mineral development. Premium cost for this endorsement, for policies insuring residential real property, is calculated at 10% of the Basic Premium Rate for the Owner's Policy, if the endorsement is purchased alone, or 5% of the Basic Premium Rate for the Owner's Policy if purchased in conjunction with amendment of the area and boundaries exception (minimum of \$50 for this endorsement).

Examples of Claims with an Enhanced Owners Title Policy

Boundary Dispute

Ms. Black just purchased 5 acres of land in the country. She was in the process of installing a fence along the south property line when her neighbor came out to tell her fence contractor to get off his property. At a meeting between Ms. Black and her neighbor they compared survey plats and found that the metes and bounds descriptions for their common property line were different and conflicting one another. She filed a claim with her title insurance underwriter based on her purchase of the Area & Boundary Exception Amendment for her Owner's Title Policy, and the underwriter assisted her in resolving the issue with the neighbor.

Restriction Violation

Mr. Pitt purchased a home from Mrs. Smith. Mr. Pitt was in love with the metal roof on the home, newly installed by the seller. Two weeks after Mr. Pitt closed on his home purchase he received a certified letter from the Happy Home Owners Association stating that the metal roof was in violation of the HOA restrictions and several neighbors had complained about the reflective nature of this roof. The HOA required that he replace the metal roof with a composition shingle roof. Since he had purchased a T-19.1 Endorsement to his Owner's Title Policy, he was able to recover the replacement cost from his title insurance underwriter.

Texas Title Insurance Rates

Effective September 2019

Policies up to & including	Basic Premium										
\$25,000	\$328	\$55,500	\$532	\$79,500	\$694	\$130,000	\$990	\$370,000	\$2,255	\$720,000	\$4,099
\$26,000	\$335	\$56,000	\$537	\$80,000	\$698	\$135,000	\$1,016	\$375,000	\$2,281	\$730,000	\$4,152
\$27,000	\$340	\$56,500	\$540	\$80,500	\$702	\$140,000	\$1,043	\$380,000	\$2,308	\$740,000	\$4,205
\$28,000	\$347	\$57,000	\$543	\$81,000	\$706	\$145,000	\$1,069	\$385,000	\$2,334	\$750,000	\$4,258
\$29,000	\$355	\$57,500	\$547	\$81,500	\$708	\$150,000	\$1,096	\$390,000	\$2,360	\$760,000	\$4,310
\$30,000	\$361	\$58,000	\$551	\$82,000	\$711	\$155,000	\$1,122	\$395,000	\$2,387	\$770,000	\$4,363
\$31,000	\$368	\$58,500	\$553	\$82,500	\$716	\$160,000	\$1,148	\$400,000	\$2,413	\$780,000	\$4,416
\$32,000	\$374	\$59,000	\$556	\$83,000	\$720	\$165,000	\$1,175	\$405,000	\$2,439	\$790,000	\$4,468
\$33,000	\$381	\$59,500	\$560	\$83,500	\$722	\$170,000	\$1,201	\$410,000	\$2,466	\$800,000	\$4,521
\$34,000	\$388	\$60,000	\$564	\$84,000	\$725	\$175,000	\$1,227	\$415,000	\$2,492	\$810,000	\$4,574
\$35,000	\$395	\$60,500	\$568	\$84,500	\$729	\$180,000	\$1,254	\$420,000	\$2,518	\$820,000	\$4,626
\$36,000	\$401	\$61,000	\$571	\$85,000	\$732	\$185,000	\$1,280	\$425,000	\$2,545	\$830,000	\$4,679
\$37,000	\$408	\$61,500	\$573	\$85,500	\$735	\$190,000	\$1,306	\$430,000	\$2,571	\$840,000	\$4,732
\$38,000	\$416	\$62,000	\$577	\$86,000	\$738	\$195,000	\$1,333	\$435,000	\$2,597	\$850,000	\$4,785
\$39,000	\$421	\$62,500	\$581	\$86,500	\$743	\$200,000	\$1,359	\$440,000	\$2,624	\$860,000	\$4,837
\$40,000	\$428	\$63,000	\$583	\$87,000	\$747	\$205,000	\$1,385	\$445,000	\$2,650	\$870,000	\$4,890
\$40,500	\$433	\$63,500	\$587	\$87,500	\$749	\$210,000	\$1,412	\$450,000	\$2,677	\$880,000	\$4,943
\$41,000	\$435	\$64,000	\$591	\$88,000	\$752	\$215,000	\$1,438	\$455,000	\$2,703	\$890,000	\$4,995
\$41,500	\$439	\$64,500	\$594	\$88,500	\$756	\$220,000	\$1,464	\$460,000	\$2,729	\$900,000	\$5,048
\$42,000	\$442	\$65,000	\$597	\$89,000	\$760	\$225,000	\$1,491	\$465,000	\$2,756	\$910,000	\$5,101
\$42,500	\$446	\$65,500	\$600	\$89,500	\$762	\$230,000	\$1,517	\$470,000	\$2,782	\$920,000	\$5,153
\$43,000	\$448	\$66,000	\$604	\$90,000	\$765	\$235,000	\$1,543	\$475,000	\$2,808	\$930,000	\$5,206
\$43,500	\$452	\$66,500	\$609	\$90,500	\$769	\$240,000	\$1,570	\$480,000	\$2,835	\$940,000	\$5,259
\$44,000	\$456	\$67,000	\$612	\$91,000	\$773	\$245,000	\$1,596	\$485,000	\$2,861	\$950,000	\$5,312
\$44,500	\$459	\$67,500	\$613	\$91,500	\$777	\$250,000	\$1,623	\$490,000	\$2,887	\$960,000	\$5,364
\$45,000	\$463	\$68,000	\$617	\$92,000	\$779	\$255,000	\$1,649	\$495,000	\$2,914	\$970,000	\$5,417
\$45,500	\$466	\$68,500	\$621	\$92,500	\$783	\$260,000	\$1,675	\$500,000	\$2,940	\$980,000	\$5,470
\$46,000	\$469	\$69,000	\$624	\$93,000	\$786	\$265,000	\$1,702	\$510,000	\$2,967	\$990,000	\$5,522
\$46,500	\$473	\$69,500	\$627	\$93,500	\$790	\$270,000	\$1,728	\$520,000	\$3,045	\$1,000,000	\$5,575
\$47,000	\$475	\$70,000	\$631	\$94,000	\$791	\$275,000	\$1,754	\$530,000	\$3,098		
\$47,500	\$478	\$70,500	\$635	\$94,500	\$796	\$280,000	\$1,781	\$540,000	\$3,151		
\$48,000	\$483	\$71,000	\$639	\$95,000	\$801	\$285,000	\$1,807	\$550,000	\$3,204		
\$48,500	\$487	\$71,500	\$641	\$95,500	\$804	\$290,000	\$1,833	\$560,000	\$3,256		
\$49,000	\$490	\$72,000	\$644	\$96,000	\$805	\$295,000	\$1,860	\$570,000	\$3,309		
\$49,500	\$493	\$72,500	\$648	\$96,500	\$809	\$300,000	\$1,886	\$580,000	\$3,362		
\$50,000	\$496	\$73,000	\$651	\$97,000	\$813	\$305,000	\$1,912	\$590,000	\$3,414		
\$50,500	\$499	\$73,500	\$654	\$97,500	\$817	\$310,000	\$1,939	\$600,000	\$3,467		
\$51,000	\$501	\$74,000	\$658	\$98,000	\$820	\$315,000	\$1,965	\$610,000	\$3,520		
\$51,500	\$505	\$74,500	\$662	\$98,500	\$824	\$320,000	\$1,991	\$620,000	\$3,572		
\$52,000	\$510	\$75,000	\$666	\$99,000	\$827	\$325,000	\$2,018	\$630,000	\$3,625		
\$52,500	\$514	\$75,500	\$668	\$99,500	\$830	\$330,000	\$2,044	\$640,000	\$3,678		
\$53,000	\$516	\$76,000	\$671	\$100,000	\$832	\$335,000	\$2,070	\$650,000	\$3,731		
\$53,500	\$520	\$76,500	\$674	\$104,500	\$856	\$340,000	\$2,097	\$660,000	\$3,783		
\$54,000	\$523	\$77,000	\$678	\$105,000	\$858	\$345,000	\$2,123	\$670,000	\$3,836		
\$54,500	\$526	\$77,500	\$681	\$110,000	\$885	\$350,000	\$2,150	\$680,000	\$3,889		
\$55,000	\$529	\$78,000	\$685	\$115,000	\$911	\$355,000	\$2,176	\$690,000	\$3,941		
		\$78,500	\$689	\$120,000	\$937	\$360,000	\$2,202	\$700,000	\$3,994		
		\$79,000	\$693	\$125,000	\$964	\$365,000	\$2,229	\$710,000	\$4,047		

Policies up to & including	Basic Premium
\$2,000,000	\$9,905
\$3,000,000	\$14,235
\$4,000,000	\$18,565
\$5,000,000	\$22,895
\$6,000,000	\$26,465
\$7,000,000	\$30,035
\$8,000,000	\$33,605
\$9,000,000	\$37,175
\$10,000,000	\$40,745
\$15,000,000	\$58,595

Policies up to & including	Basic Premium
\$25,000,000	\$83,995

Premium Calculations

Policies of \$100,001 - \$1,000,000

1. Subtract \$100,000 from policy amount.
2. Multiply result (1) by 0.00527 and round to nearest whole dollar.
3. Add \$832 to result (2).

Policies of \$1,000,001 - \$5,000,000

1. Subtract \$1,000,000 from policy amount.
2. Multiply result (1) by 0.00433 and round to nearest whole dollar.
3. Add \$5,575 to result (2).

Policies of \$5,000,001 - \$15,000,000

1. Subtract \$5,000,000 from policy amount.
2. Multiply result (1) by 0.00357 and round to nearest whole dollar.
3. Add \$22,895 to result (2).

Policies of \$15,000,001 - \$25,000,000

1. Subtract \$15,000,000 from policy amount.
2. Multiply result (1) by 0.00254 and round to nearest whole dollar.
3. Add \$58,595 to result (2).

Policies of \$25,000,001 - \$50,000,000

1. Subtract \$25,000,000 from policy amount.
2. Multiply result (1) by 0.00152 and round to nearest whole dollar.
3. Add \$83,995 to result (2).

Policies of \$50,000,001 - \$100,000,000

1. Subtract \$50,000,000 from policy amount.
2. Multiply result (1) by 0.00138 and round to nearest whole dollar.
3. Add \$121,995 to result (2).

For policies greater than \$100,000,000

1. Subtract \$100,000,000 from policy amount.
2. Multiply result (1) by 0.00124 and round to nearest whole dollar.
3. Add \$190,995 to result (2).

