



Questions about Title Insurance

January 1, 2007

Buying a home is, for many of us, the most substantial, single investment we'll ever make. Knowing this, most homeowners provide for the security and safekeeping of their homes by insuring them against hazards such as fire, theft and weather damage. Yet, another hazard can pose an even greater risk to home ownership: defects in the title.

Title defects can cause a homeowner to lose part or all of the investments in real property. Fortunately, there is a way to protect your investment from these title defects, and it comes in the form of title insurance.

The **BusinessPanama Group** works with a well known US Title Insurance group companies that have been in the business of protecting homeowners and their real estate investments with title insurance since 1876.

In the following pages, we have accumulated some frequently asked questions and answers regarding title insurance and why it's an important part of your real estate investment.

What is title?

Title is a collective term that makes up your legal rights to own, possess, use, control and dispose of land. Title takes into account all previous ownership, uses and transfers. In order to legally transfer real estate property, a title search must be performed, and in most cases the title must be determined as clear or free of defects or encumbrances.

What is a title defect or encumbrance?

A title defect is something missing from the title, for example, an undisclosed heir from a previous owner who could make a claim on the land. An encumbrance is a claim made upon the land but not by the landowner. For instance, your local power company may have an easement for a power line that will serve your house.

If you are borrowing money to purchase land, your lender will require your *title to be clear of any outstanding defect or encumbrance* before the land is transferred.

Why is transferring the title to real estate different from transferring the title to other items such as a car?

Land is permanent, and the usage of land can change over the years. A landowner can transfer various rights from the title such as mineral, water or utility rights. Even if the land is vacant

when you buy it, it may have a history you don't know about, so it is first necessary to search the title to determine if any defects or encumbrances are outstanding and to clear those that you or your lender do not accept.

What is title insurance?

Title insurance is an insurance policy *that protects against future loss should* the title condition be any different than when the policy was written.

Why do I need title insurance?

There are two types of title insurance policies: a lender's policy (also called a loan policy) and an owner's policy. The lender's policy financially covers the amount of a loan and provides protection to the lender. A lender's policy usually does not represent the full property value. An owner's policy protects the landowner and can financially cover the full property value.

With an owner's policy, the landowner is protected against any title loss which ensures the value of the property. Because a title policy is considered insurance, if a claim is made against the title, the title insurer must pay any and all costs associated with defense against the challenge and, if unsuccessful in that defense, reimburse the landowner for any reduction in the value of the land.

What is a title search?

A title search is a detailed examination of the historical, public records concerning a property. These records include deeds, court records, property and name indexes and many other public documents. The purpose of the search is to verify the seller's right to transfer ownership and to discover any defects or encumbrances on the title.

What kind of problems can a title search reveal?

A title search should show all title defects and encumbrances as well as liens and other restrictions. Among these are unpaid taxes, unsatisfied mortgages, judgments against the seller and restriction limiting the use of the land.

Are there any problems that a title search cannot reveal?

Yes. There are some hidden hazards that even the most diligent title search may never reveal. For instance, the previous owner could have incorrectly stated his or her marital status, resulting in a possible claim by a legal spouse. Other hidden hazards include fraud and forgery, defective deeds, mental incompetence, confusion due to similar or identical names and clerical errors in the records. These defects can arise after you have purchased property and can jeopardize the right to ownership.

Can a deed serve as proof of ownership?

No. A deed is just a document used to show transfer of ownership and is evidence only that you have taken over whatever rights the seller had in the property. A deed does not eliminate the rights other may have, and a deed won't show you liens or claims that may be outstanding against the title.

Does an abstract show property limitations and restriction?

Possibly, An abstract is a history of the property title as revealed by the public records. In many cases, an abstract is considered an abbreviated title. An abstract only protects against loss related to the tile examiner's oversight, not hidden hazards as described above.

What about a title opinion?

An opinion is the conclusion and judgment of a trained professional, often an attorney, based on a search of the public records. Just like an abstract, a title opinion only protects against loss related to an oversight on behalf of the individual making the opinion, not hidden hazards.

The property owner already has title insurance. Why do I need another title search?

A title policy insuring your seller does not protect you. Also, many things could have happened to the land since that owner's policy was issued. Your seller could have a mortgage, a home equity loan, judgments or unpaid taxes that would not be covered in the seller's title policy.

Is title insurance as important as homeowner's insurance?

Absolutely, Homeowner's insurance typically provides protection against theft, accidental damage or natural disaster such as tornado, earthquake or hurricane. While these types of loss can certainly be substantial, losses from a defective title could be devastating. If a fire destroys your home, you can rebuild and buy new possessions. If the title to the land fails, you could lose the right to inhabit your home as well as the land it occupies.

How much does title insurance cost?

Title insurance probably costs a lot less than you think. Charges vary in different sections of the country; however, *the important thing to remember is that you pay for an owner's policy of title insurance only once, and there are no monthly premiums.*

How does title insurance protect my heirs?

A title insurance policy provides coverage from the time of its effective date back to the origin of title. After the property has passed to your heirs, if any defect prior to the policy should arise, the title insurance company would defend the title for your heirs just as it would for you if you were alive.

Where can I get title insurance?

You can obtain title insurance from any licensed title insurance company or its agents operating in your state. When choosing a title insurer, it is important that you look for a company with expertise, as well as the financial strength to protect you should a claim arise. Your real estate broker or attorney can recommend such a company.

Can I decline having title insurance?

Yes and no. While the lender will likely require a loan policy of title insurance, the purchaser can choose what type of owner's protection, if any, to use with regard to title. It's important to remember, however, that only title insurance protects the owner against hidden hazards, and only title insurance reimburses the owner for legal expenses for defense of claims that affect the value of the property.

Which title insurance company do you recommend?

The **BusinessPanama Group** works with a well known US Title Insurance group, part of a US Fortune 500 group, with a 125-year history of insuring the validity and authenticity of land titles in the United States. There are many buyers – from the U.S. and abroad – who are looking for that same security and assurance as they invest in real estate where you live and work; in other words, outside of the United States.

Now you can find answers to many other questions about buying real estate, immigration, forming a corporation, opening a bank account, retiring & living in Panama and more in our new eBook entitled “**The Ultimate Guide to Investing, Living & Retiring in Panama**” available in this website.

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