

What is title insurance?

Title insurance protects both owner and lender from financial loss due to unforeseen legal obstacles. Title insurance is usually required by a bank loaning money to a property owner secured by a mortgage on the property. Most lenders require title insurance as a condition of loaning money to purchase land or refinance an existing mortgage. Owner's title insurance is a separate policy and highly recommended.

The protection you buy is based on a title search of public records that traces the chain of ownership of the property and includes a guarantee that the title is accurate. The search identifies title problems before your real estate purchase is completed. While almost all other forms of insurance protect you against future events, a title policy is designed to primarily protect you against the hazards of the past.

Lender's Policy

- Protects against title defects, easement problems, judgments and liens and lack of access
- Is required by lenders making a loan on a property
- Remains in force until mortgage is paid in full

Owner's Policy

- Helps protect the buyer from title defects, easement problems, judgments or liens and lack of access
- Pays expenses associated with claims or losses
- Remains in force for life ownership of property, including heirs
- Usually required to be provided to the buyer by the seller in a purchase agreement for real property.

Why isn't a title search sufficient?

Title searches are not infallible. Property records can be indexed incorrectly. There are numerous hidden title risks that not disclosed in the public record.

What do you get when you purchase a title insurance policy?

Typically, title insurance covers the amount of the real estate sales price or the amount of the loan. Payment is a one-time fee rather than ongoing premium, and the policy stays in effect until the buyer sells the property. Risks include invalid and fraudulent real estate sales, and hidden legal encumbrances tied to an existing property title – as in wrong lots, missing parking spaces and litigious, unhappy heirs.

In most areas of Louisiana, the seller pays for the buyer's policy and the buyer pays for the lender's policy. The charge for a lender's policy is relatively modest because it is based on the same title research as the buyer's policy. The cost of title insurance is related to the price of the real estate. The higher the property's sale price, the more it costs.