ISSUE 16

LAWYERS LINK

UNDERSTANDING OWNER'S VS. LENDER'S TITLE INSURANCE... AND MORE

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April is Financial Literacy Month, but it's always a good time to know and understand your options when it comes to title insurance. Lawyers Title offers both owner's and lender's title insurance policies, and your Lawyers Title rep is here to answer any questions you may have about those policies. In this issue of Lawyers Link, we provide a broad overview comparing owner's and lender's title insurance, as well as some of the other types of insurance policies you may encounter when closing on a new home.

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OWNER'S TITLE INSURANCE

What it does:
Protects you, the homeowner, from any claims against the title that may arise.

How it is paid:
Paid as a one-time premium at closing, and lasts for as long as you own the property.

How it is calculated:
Premiums vary by location, but are calculated based on the value of the home.

Who chooses the company, and who pays for it?
This varies by location. In some states, for example, the seller typically pays for the owner's title insurance, and so they are the ones who choose the title insurance company.

LENDER'S TITLE INSURANCE

What it does:
Lender's title insurance protects your lender from any claims against the title that would affect the validity of your mortgage. It does not protect *you* against any such claims or associated court costs—that protection is only provided by owner's title insurance.

How it is paid:
Paid as a one-time premium at closing, lender's title insurance lasts for the life of your mortgage. If at any point you refinance your mortgage, you will need to purchase title insurance again (for more information, see our flyer, *Why Lenders Require Title Insurance When Refinancing Your Home*.).

How it is calculated:
Premiums vary by location, but are calculated based on your loan amount.

Who chooses the company, and who pays for it?
This also varies by location. In some states, the buyer typically pays for the lender's title insurance, and so they are the ones who choose the title insurance company. Lender's title insurance can sometimes be bundled with owner's title insurance for a reduced cost, so be sure to find out if that option is available to you.

HOMEOWNER'S INSURANCE

What it does:
It covers destruction or loss to your home, property, and belongings. Usually, this includes damage caused by fire or storms. But most policies generally do not cover damage caused by earthquakes or floods, so if you live in an area where such disasters are a risk, you will need to purchase a separate policy for coverage.

How it is paid:
Homeowner's insurance is paid as an annual premium, starting at closing and continuing every year for as long as you hold that policy.

How it is calculated:
Policy rates are calculated based on *potential* risks, such as the home's condition and the neighborhood it is in.

Who chooses the company, and who pays for it?
As the homeowner, you will choose your homeowner's insurance company and pay the premium. Be sure to do your research, obtain multiple quotes, and choose carefully!

PRIVATE MORTGAGE INSURANCE (PMI)

What it does:
If you have a conventional loan and cannot make at least a 20% down payment on your home, a lender will sometimes require you to pay for PMI. This insurance will protect your lender from losing money if you cannot make your loan payments.

How it is paid:
This varies by policy, but most commonly, PMI is paid as a monthly premium. It can also be paid as a one-time premium at closing, or even as a one-time premium at closing followed by monthly payments.

How it is calculated:
PMI is calculated based on the amount of your loan.

Who chooses the company, and who pays for it?
Your lender chooses the company, and you are required to pay for it. Once you have established 20% equity in your home, however, you can request that PMI be canceled.

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MORTGAGE PROTECTION INSURANCE (MPI)

What it does:
MPI protects your family and your lender by paying off your mortgage if you were to pass away during the life of the mortgage. It is required, with some exceptions; for example, if you already have a life insurance policy that covers the cost of your mortgage. The value of MPI goes down over the life of your mortgage, along with your mortgage balance.

How it is paid:
Generally, MPI is paid with monthly premiums.

How it is calculated:
Much like life insurance, MPI is calculated based on factors such as your age and health.

Who chooses the company, and who pays for it?
You choose the company, and you pay the premium. As stated above, if you already have a life insurance policy in place that protects your mortgage, MPI is not required. It is well worth exploring your options before choosing which type of insurance is best for you and your family.

This information does not, and is not intended to, constitute legal advice; instead, all information is for general informational purposes only.

Information Sources:
www.quickenloans.com/learn/what-does-a-title-insurance-company-do
www.allstate.com/tr/home-insurance/covered-in-homeowners-policy.aspx
www.consumerfinance.gov/ask-cfpb/what-is-private-mortgage-insurance-en-122
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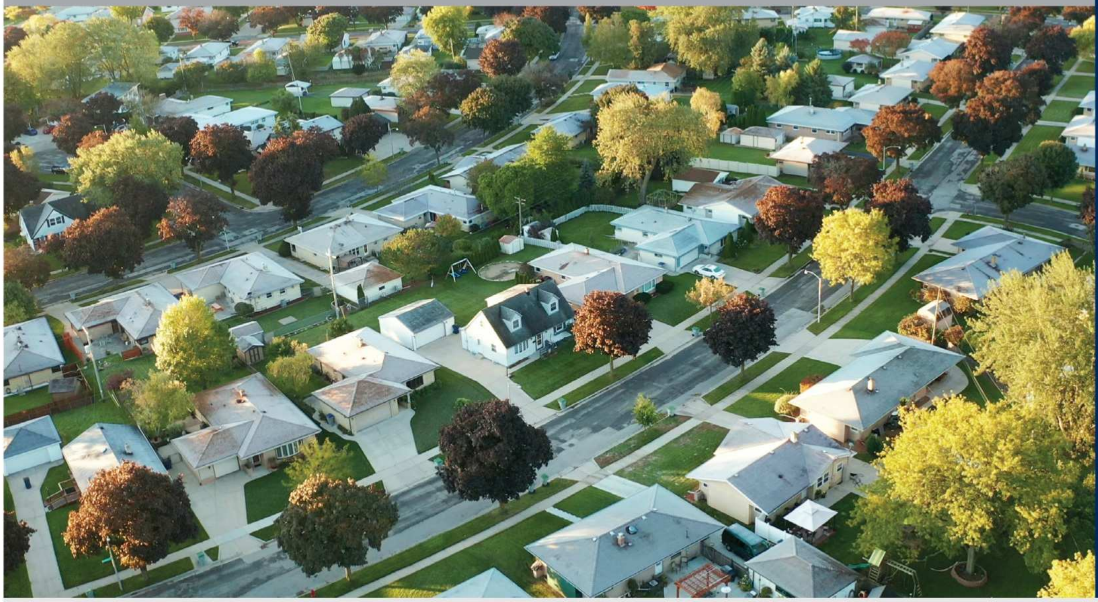

MONTHLY INDUSTRY TERMS

Deed
A written instrument which, when properly executed and delivered, conveys title.

Mortgage
A conditioned pledge of property to a creditor as security for the payment of a debt.

Trustee
The neutral third party in the deed of trust with limited powers. When the loan is paid in full, the property is reconveyed by the trustee back to the person or persons legally entitled to the land, or if delinquent, the property will be conveyed pursuant to non judicial foreclosure proceedings, to the highest bidder in a public sale.