

## How do I choose a title company?

The Division of Insurance encourages consumers to shop before deciding on a title company. One place to begin is on the Division's website, where consumers can search for licensed agents and companies, and read about any enforcement actions by the Division of Insurance.



Many people rely on referrals from their real estate agents, mortgage brokers, or banks when it comes to choosing a title company.

However, federal laws and regulations provide that no one can require the purchase of title insurance from a specific company; the consumer may

select the title company.

Colorado insurance laws require that all title insurance companies and agencies make copies of current rates and fees available to the public.

While other factors should be considered in the selection of a title company -- including customer services and location -- rates and fees are a good place to start when comparison shopping.

## How else is the title company involved?

Most title companies provide closing and settlement services in connection with real estate transactions. The title company searches the property records, identifying any unpaid mortgages or liens.

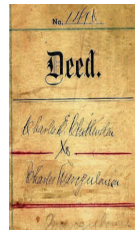
The company issues a commitment for title insurance, detailing any premiums owed, requirements to be fulfilled before a policy is issued, and any exceptions to coverage that have been identified (such as covenants, mineral rights, easements, etc.)

The title company notes any additional fees that need to be paid (for appraisals, credit reports, flood certifications, and accounts for taxes and insurance), and writes a settlement statement for approval. The statement details all sides of the transaction.

At the closing, the title company uses the money brought to closing to pay off outstanding liens, gives the seller any money due, and pays the underwriter the premium for insuring the property.

The title company records the deed to the property at the county, as well as anything needed to show the lenders' interest in the property. Upon recording, title policies are issued, signed, and mailed.

Owners' policies are mailed to the buyer (often with a copy of their recorded deed), and lenders' policies are mailed to the lender.



**The Department of Regulatory Agencies** encourages consumers to shop and compare before deciding on a title insurance company. The Division of Insurance website gives consumers the ability to search for licensed agents and companies, and read about recent enforcement actions in Colorado.



**Consumer protection is our mission**

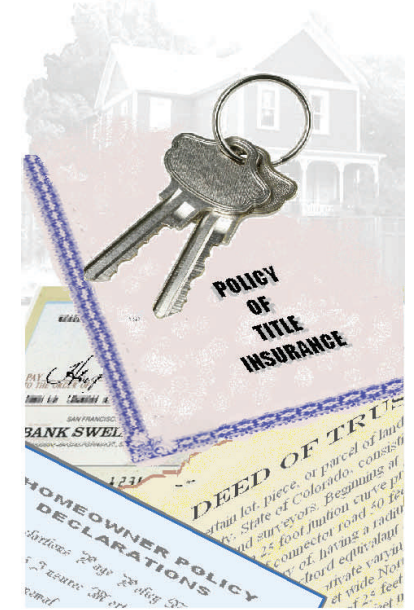
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# Understanding Title Insurance



**COLORADO DIVISION OF INSURANCE**

**COLORADO DIVISION OF REAL ESTATE**





## What is Title Insurance?

When a house, building or other property is bought and sold, all the parties involved want to be sure the “title” or transfer of ownership is clear from defects or problems.

Title insurance protects the owner and the lender against loss arising from problems connected to the title to the property.

Over time, a home -- and the land it stands on -- may go through several ownership changes. The “chain of title” describes the history of ownership, with each person or entity listed who owned the land and/or building at some point in time.

However, there can be unexpected problems in that chain, such as unpaid real estate taxes or other liens. When title was transferred, someone may have forged a signature, or written a property description improperly.

Title insurance is an agreement that, should a problem be discovered in the past ownership records of your property, your insurer will fix the problem, defend you against it, or compensate you for any covered losses.

Some problems that may be found in the records include fraudulent deeds, incorrect recording of documents, spurious (or improper) liens placed against the property, and in some cases even undisclosed easements or past violations of covenants by previous owners.

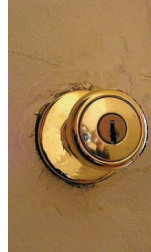
## Why do I need a “title search?”

Title searches help uncover previous errors before a piece of property changes hands. Title insurance protects the involved parties against defects and human error related to the property title. Deeds establish the chain-of-title.

The title search looks to discover if there are any problems with the chain, or if everything appears to be in order.

If any problem is discovered, the company can resolve problems before closing, and avoid future claims on the policy.

The title searcher checks to see if the previous mortgage and/or any liens on the property are paid off and looks for easements (permission that has been given to use the land by someone who is not the owner), rights-of-way, CCR’s (Covenants, Conditions and Restrictions), and any other elements affecting title to the property.



***A title search helps identify potential problems before a property is sold; even a misplaced fence can cause a property dispute.***

## What is the difference between title insurance and other lines of insurance?

While most insurance (such as auto and home) provides protection against future events (such as fire, hail, and accidents), title insurance protects against matters that have already occurred (and were not caused by any wrongdoing on your part.)

For instance, if a lien was recorded prior to purchase of the property, and not released, paid by the seller at closing, or taken exception to on the policy, you would often be afforded coverage over that lien. However, if a lien was placed on the property because you failed to pay your Homeowners Association dues, you would not be covered under title insurance.

Another difference between title insurance and other forms of insurance is the payment of premium.

For most insurance products you pay an ongoing premium to continue coverage.



With title insurance, you pay a one-time premium (usually at closing) and are covered for as long as you own the property.

## There are two basic forms of title insurance: Owners and Lenders

Owners title insurance covers your interests as owner of the property, and usually insures for the amount you paid to purchase the property.

Lenders title insurance, which covers your lender’s interests in your property, is usually issued in an amount equal to the loan amount. Whenever a loan is issued for the financing of a property, the lender acquires an interest in the property for as long as the loan is outstanding.

## Do I have to purchase title insurance?

Almost all mortgage lenders require lenders title insurance to protect them in an amount equal to the loan. The lenders title insurance policy lasts until the loan is repaid.

## Who pays for title insurance?

While who pays for the title insurance is negotiable, in Colorado it is traditionally the seller who pays for the owners policy (thereby assuring the buyer title is clear) and the buyer that pays for the lenders policy (in turn assuring the lender that title is clear.)

Most title insurance companies offer discounted rates when both policies are issued at the same time and from the same company, so it is often one company issuing both policies in a transaction in Colorado.