

The Enhanced Policy

Understanding The Enhanced Owner's and Loan Policy

Why do people need Title Insurance?

Title insurance is protection against loss if any unforeseen problems result in a claim against your ownership. If a claim is made against the property, title insurance will pay for defending against any lawsuit that attacks the title and pay all court costs and related fees. There is a title search of the property on which an insurance policy will be issued. But even with a proper search, there are still unexpected issues.

Examples of problems that can arise:

Unpaid taxes; Unsatisfied Mortgages/Deeds of Trust; Judgments; Restrictions limiting the use of the land

Examples of unforeseen problems:

Fraud
False impersonation
Forged deeds, releases or wills
Undisclosed or missing heirs
Instruments executed under an invalid or expired POA
Mistakes in recording legal documents
Misinterpretations of wills
Liens for unpaid estate, inheritance, income or gift taxes
Deeds by persons of unsound mind
Deeds by minors
Deeds by persons supposedly single, but in fact married

Homeowner Options

The Homeowner should always have all options available. Both the Standard Owner's Policy and the Enhanced Owner's Policy should be offered when owner's coverage is offered or requested and all requirements have been met. Not all properties will qualify for the Enhanced Policy.

Refinance Transaction

An Enhanced Policy can be issued in connection with a refinancing transaction if all underwriting requirements are met. If the owner has an existing standard owner's policy, it can be upgraded to an Enhanced Policy. Check with your underwriter for specific requirements. Usually, the Owner's Policy must be returned for cancellation; The

Owner/Seller Affidavit is signed and notarized; A bring to date (bring down) of title is performed.

A premium should be collected for the difference between the cost of the Owner's policy and the cost of the Enhanced Policy.

Standard Owner's Policy

Insures against loss due to:

Title being vested other than as stated

Any defect in the title or lien or encumbrance against the title

Title is not marketable

Lack of a right of access to and from the land

This policy excludes defects, liens, encumbrances and any other matters attaching or created after the date of the policy.

Enhanced Owner's Policy

The Enhanced Policy provides more detailed coverage and provides for "Covered Risks". Each Covered Risk has specific language pre-printed on the inside of the policy jacket. Whereas the standard owner's policy has 4 insuring provisions, the enhanced owner's policy has 29 covered risks. Certain Covered Risks will protect the insured post policy. These risks will be noted on the policy jacket.

Conditions

Natural Person: This policy should not be issued if the property is owned by a corporation or other business entity, such as an LLC or LLP. The Policy can be issued if the property is titled in the name of a trustee. If the owner transfers the property to a trustee after the date of the policy, the policy continues in affect.

Improved Residential Lot: The enhanced policy should only be issued on an improved residential lot with a 1-4 family residence or residential condominium. In order to comply with this requirement, verify by reviewing the survey (if applicable) and/or the tax assessment records.

Owner-Occupied: The property must be owner occupied. This policy cannot be issued if the property is for investment or commercial purposes.

No Construction: Any improvements must be totally complete with no construction in progress. Compliance with this requirement may be verified by obtaining an Owner/Seller Affidavit.

Clearly Defined Boundaries: The lot or condo unit must be shown on an approved recorded subdivision or condominium plat; OR the boundaries must be well defined by a metes and bounds legal description.

*Waiver of Coverage Form: This form may be utilized as proof that the purchaser of the property did not want an Enhanced Owner's Policy. It's simply used as a waiver of enhanced coverage and kept in the settlement file. Check with your underwriter to see if they require this form.