

**HOW MUCH AM I SAVING
WHEN I DON'T BUY TITLE
INSURANCE?**

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Scenario: You are purchasing a home for \$100,000.00. You are putting \$20,000.00 down and borrowing \$80,000.00 from your favorite hometown bank. The home is located in a platted subdivision in the City of Madison, Indiana.

Question 1: What will it cost you to purchase an Owner's Title Insurance Policy & a Lender's Title Insurance Policy for this transaction?

THE COST OF AN OWNER'S TITLE INSURANCE POLICY:

There are 2 types of Owner's Title Insurance: ALTA 92 & ALTA 98.

The cost of Owner's Title Insurance is dependant upon which type of policy you choose to purchase. The ALTA 92 policy is the standard type of coverage, while the ALTA 98 policy provides enhanced coverage.

*A \$100,000.00 ALTA 92 policy would be: **\$500.00**

*A \$100,000.00 ALTA 98 policy would be: **\$600.00**

THE COST OF A LENDER'S TITLE INSURANCE POLICY:

A Lender's Title Insurance Policy in the amount of \$80,000.00 is normally **\$350.00**. However, your hometown bank will receive a \$50.00 discount from JCLT, bringing the cost down to **\$300.00**.

*If you purchase Owner's & Lender's Title Insurance simultaneously for your transaction, JCLT will only charge **\$75.00** for the Lender's Title Policy providing that your loan amount is less than the purchase price of the real estate.

**YOUR OPTIONS FOR PURCHASING TITLE INSURANCE IN THIS
TRANSACTION ARE AS FOLLOWS:**

<u>LENDER'S TITLE INSURANCE ONLY:</u>	\$300.00
<u>LENDER'S & ALTA 92:</u>	\$575.00
<u>LENDER'S & ALTA 98:</u>	\$675.00

Question 2: What costs could you incur if you do not purchase title insurance?

YOUR LENDER WILL REQUIRE YOU TO PAY FOR THEIR TITLE PROTECTION

The majority of lenders require the purchase of a Lender's Title Insurance Policy. If this is the case, you will incur the **\$300.00** charge for a Lender's Title Insurance Policy even though this policy does not provide any protection for you.

YOU MAY FIND OUT LATER THAT THERE ARE HIDDEN DEFECTS IN THE PROPERTY THAT WILL COST YOU

When issuing a title insurance policy, a title company searches the records back 20 to 50 years. Fortunately, a title insurance policy covers a defect no matter how long ago it occurred. If you did not purchase an Owner's Title Insurance Policy, you will not be able to make a claim against the title company for something that happened in 1929 if the title company only searched back to 1984. Also, because a title search relies solely on the accuracy of the county records, you cannot make a claim for something that was never entered into the public record or was entered into the public record incorrectly. Owner's Title Insurance will offer protection against this type of risk.

Example: You purchased your current home from an elderly widow 5 years ago. During the last five years, you have landscaped, remodeled & redecorated to turn it into the home of your dreams. You can't imagine ever wanting to move. Suddenly, a man appears claiming that he is the son of the widow's deceased husband by a former marriage. This legal heir disapproved of his father's remarriage and fell out of touch with the family. He is, nonetheless, entitled to a share of the value of the property, which means an expensive problem for you if you don't have Owner's Title Insurance. If he and the widow were each entitled to equal shares of the property, he can make a claim for **\$50,000.00**.

IF YOU PURCHASE AN ALTA 98 OWNER'S POLICY, YOU CAN FOREGO THE COST OF A SURVEY

Boundary line disputes are a common problem. In past years, the only way to guard against this problem was to incur the cost of a boundary survey. You can expect to pay **\$550.00** for a boundary line survey of a typical subdivision lot in the City of Madison and much more if your property is not a platted subdivision lot. The introduction of the ALTA 98 Owner's Policy addressed this issue. You can provide yourself with protection for matters of survey by purchasing the ALTA 98 policy on residential property and forget about incurring the cost of a survey, unless your lender requires it or you are building new construction. Even if the Lender asks for a survey or you are building new construction, you will typically only have to provide a Survey Location Report, which is much less expensive, usually around \$150.00.

ARE YOU INTO HIGH RISK INVESTMENTS?

Most people are classified as moderate to conservative investors, but don't realize that they are "rolling the dice" on their biggest investment – their home. Owner's Title Insurance is the only way to protect the value of your home from potentially expensive claims.

If you do not purchase an ALTA 98 Owner's Title Insurance policy, you will save **\$375.00**. Suppose you invest your \$375.00 savings in an investment that increases by 25% per year. In 10 years, you liquidate the investment and have accumulated a total of \$1,312.50. Unfortunately, when you come home from the bank, you find that someone has made a claim against your property. Because you do not have title insurance, the legal fees for defending the claim must come from your pocket. It takes your attorney 10 billable hours to prove that the claim is invalid, much to your relief – until you receive the bill for legal fees:

*10 hours @ \$150 per hour=**\$1,500.00**

In order to defend your property, it cost you much more than you saved by foregoing Owner's Title Insurance. You made 25% a year on your investment, but risked losing your home. Talk about a high risk investment!

IS IT WORTH THE RISK?