



Maryland

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Title Insurance FAQs

Q. What is title insurance?

A. When you buy a property, you want to make sure the seller can legally transfer the ownership of the property to you. Title insurance is an insurance policy that is issued at settlement, and confirms that the insured owner is the only legal owner of the property. Prior to your settlement, the title agent will conduct a title search. This consists of a search of the public land records to confirm if there are any open mortgages, judgments, real estate taxes, or other liens which would need to be either released or paid. If title related issues are discovered, the title company will work to resolve the issues before proceeding with the close of the property. If the insured owner later learns of prior unreleased matters, they can file a claim against the title insurance policy, and if it is a covered risk, the title insurer will have to pay or otherwise defend the insured owner.

Another purpose of the title search is to confirm if there are any easements, rights of way, declarations or other matters affecting the property. If these are discovered, they will be listed as something called exceptions on the policy. Exceptions are not covered under the policy. However, prior to or at settlement, you have a right to review a copy of the proposed policy. We strongly recommend that consumers review a copy of the policy so they are aware of whether or not the property is subject to any easements or other restrictions, and what those restrictions are. Please be advised that title agents cannot give legal advice.

Q. Who is protected by title insurance?

A. That depends on the policy that is purchased. Most people borrow money to purchase their home and generally one of the conditions of the loan is that the buyer purchases title insurance. This policy is called a Lender's title insurance policy, and protects your lender up to the amount you owe on your property. Lender's policies do not provide any protection to the homeowner, they only insure that the lender's lien is in first position and properly secured against the property.

As you pay down your property mortgage, the amount of title insurance decreases to the amount you currently owe in a Lender's title insurance policy.

Q. What kind of title insurance do buyers purchase to protect themselves?

A. You may want to consider also purchasing an owner's title insurance policy, which will continue to protect you for the full price you paid for the property plus legal costs if an issue arises after the close of the property and the protection is a covered risk. Owner's title insurance has different protections than the lender's policy and these can vary as there are several different types of owner's coverage, such as enhanced policies. We would suggest contacting your title agent who can provide a list of the different policies and the coverage each provides.

One of the benefits of purchasing owner's coverage is being eligible for a reissue rate if you refinance the property in the future. If a property owner has an owner's policy and they present a copy of the policy to the title agent conducting their property refinance, they may be eligible for a discounted lender's premium on the new lender's policy.

Q. When should you purchase their title insurance policy or policies? When purchasing a new property, who should you talk to about purchasing the policies?

A. After you enter into the contract of sale, you will have to also choose a title company. After the title company is chosen, you can contact the agent to discuss the different coverage options. The policies themselves are purchased from a title insurance company and the cost of the policy or policies will likely be included in the closing costs. If you decide to purchase an owner's policy at the close of their new property, there may be premium savings when purchasing both a lender and owner title insurance policy at the same time.

Q. Who chooses the title company?

A. The buyer chooses the title insurance company. Your real estate professional may suggest or recommend a title insurance producer, but you do not have to hire that company. After you choose a title company, you should discuss the different policy options with the company. Most companies offer basic policies and enhanced policies. There are many differences between the two policies and most companies have marketing material they provide to the buyer so they can compare the different coverages. Before choosing a title company, the buyers should contact the Maryland Insurance Administration to verify that the title company and/or insurer is licensed. Only licensed producers can conduct settlements in Maryland. Title insurance premiums are regulated by the Maryland Insurance Administration. The fees a title company charges the buyer for various settlement services, such as document preparation, conducting the settlement or other title agent charges which are not title insurance premiums, are not regulated and will differ between title agents. Since the buyer has the right to choose their own title company, they can also "shop around" by contacting several different agents to compare their fees.

Additionally, the buyers should always ask the seller if have a title insurance policy on the property. If the same insurance company has already underwritten the risk and has issued the prior policy on the property, the title search can be shortened. Since most of the work was previously done, the cost to underwrite can be less and will be reflected by discounting the premium, known as a "reissue rate." Whether or not a buyer is eligible for a reissue rate depends on the title insurers filed rates and can be subject to certain limitations. Such as requiring that the prior policy was issued within the past ten years.