FREQUENTLY ASKED QUESTIONS
About Title Insurance

CHICAGO TITLE
OF COLORADO

WHAT IS TITLE INSURANCE?

A word about real estate. Real estate has traditionally been a family's most valuable asset. It is a form of wealth that is protected by many laws. These laws have been enacted to protect one's ownership of real estate and the improvements located on the land.The owner, the owner's family, and the owner's heirs have extremely strong rights in and to the property you are purchasing. In addition to the owner, there may be others who have rights or claims in and to the property that you are buying. Those who may have an interest in or lien upon the property could be governmental bodies, contractors, lenders, judgment creditors, the Internal Revenue Service, or various other individuals or corporations. The real estate may be sold to you without the knowledge of the party having claim in and to the property. In addition, you may purchase the real estate without having any knowledge of these rights or claims. In either event, these rights or claims remain attached to the title of the property that you are buying until they are extinguished.

Title Insurance protects your assets. Title insurance gives you the assurance that possible clouds on the title to the property you are purchasing - which can be discovered from the public records - have been called to your attention so that such defects can be corrected before you buy. Additionally, it is insurance that if any undiscovered claims covered by your policy arises out of the past to threaten your ownership of real estate, it will be disposed of, or you will be reimbursed exactly as your title insurance policy provides.

HOW MUCH DOES TITLE INSURANCE COST?

Unlike the annual premium of most other forms of insurance, you will pay a one-time premium for title insurance. There are no annual payments to keep your Owner's Title Insurance Policy in effect. The premium will depend on the type of coverage you and/or your lender request.

WILL YOU GET A CLEAR TITLE?

It is of utmost importance that you receive clear title to the property when you purchase real estate. In order to do so, you must first be informed of any existing rights or claims that may be asserted by any party against the title to the property. Any of those rights or claims that are unacceptable to you must be resolved or extinguished prior to your purchase of the property. In addition, you will want to be protected against any undiscovered rights or claims that may, in the future, threaten your title and possession of the property. Title insurance provides you with this twofold protection.

WHO IS COVERED?

There are two basic types of title insurance policies: an Owner's Policy and a Lender's Policy.

Owner's Policy. Owner's title insurance is generally issued for the amount of the purchase price. It protects the purchaser and the purchaser's heirs as long as they own the property.

Lender's Policy. Most lenders require title insurance as security for their investment in the property. The borrower typically pays for the Lender's Policy, which is issued for the loan amount.

HOW DO YOU FIND OUT WHAT CLAIMS EXIST?

In order to determine the status of title, Chicago Title conducts a diligent search of the public records for the documents associated with the property. Chicago Title then examines those recorded documents in order to determine if there are any rights or claims that may have an impact upon the title such as unpaid taxes, unsatisfied mortgages, judgments, and tax liens against the current or past owners, easements, restrictions and court actions. These recorded defects, liens, and encumbrances are reported to you prior to your purchase of the property. Once reported, these matters can be accepted, resolved or extinguished prior to the closing of the transaction. In addition, you are protected against any recorded defects, liens or encumbrances upon the title that are unreported to you and which are within the coverage of the particular policy issued in the transaction. This is the first benefit you receive from title insurance.

WHAT ABOUT UNDISCOVERED CLAIMS?

The title to the property that you have purchased could be seriously threatened or lost completely by hazards which are considered "hidden risks." "Hidden risks" are those matters, rights or claims that are not shown by the public records and, therefore, are not discoverable by a search and examination of those public records. Matters, such as forgery, incompetency or incapacity of the parties, fraudulent impersonation, and unknown errors in the records are examples of "hidden risks" which could provide a basis for a claim after you have purchased the property. In order to protect you against this possibility, Chicago Title provides insurance coverage for such claims. This is the second benefit you receive from title insurance.

CHICAGO TITLE

BEST **PEOPLE**. BEST **SERVICE**. BEST **EXPERIENCE**.

FREQUENTLY ASKED QUESTIONS *Continued*

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HOW DOES TITLE INSURANCE PROTECT YOU?

If a claim is made against your insured title, Chicago Title InsuranceCompany protects you by:

1) Defending your title, in court if necessary, at no cost to you, and

2) Bearing the cost of settling the case, if it proves valid, in order to protect your title and maintain your possession of your property.

WHAT IS A TITLE COMMITMENT?

Based on the results of the title examination, Chicago Title will issue a Preliminary Report or Commitment for Title Insurance, depending upon the practice in your area. This document will include the following:

- Names of the buyers & sellers
- Type & amounts of coverage to be issued
- Legal description of the property
- Report of the condition of the title including any easements, liens, judgments and existing loans
- Recorded map or plat of the property
- Copies of pertinent documents disclosed in the title report or commitment
- An agreement to issue a Title Insurance Policy upon payment of the Premium, subject to the terms and conditions as stated.

WHAT ARE SOME EXCEPTIONS TO THE TITLE POLICY?

The following are some items which are typically not covered by the title insurance:

- Taxes or assessments not shown by the public record
- Errors due to poor surveying, such as faulty boundary lines
- Limitations on land use, such as laws against farm animals
- Exceptions may also be added to your policy

Examples include:

- Easements, right of way and other legal obligations noted in the deed or other public records
- Restrictive covenants or agreements limiting uses to your property

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THINGS TO LOOK FOR ON TITLE REPORTS

PENDING ACTION

Before title insurance can be issued on a subject property, a civil action affecting the property will generally need to be dismissed or settled. A pending divorce may not need to be finalized prior to closing of a sale or loan, however there may be special circumstances. Be sure to check with your Chicago Title office for further information.

TAXES AND ASSESSMENTS

Be sure to look for any special circumstances such as exemptions or classification designations that could change the tax amount as a result of a sale or loan.

VESTING

Your seller should be vested in the property. If they are not on the title, look for a real estate contract as an exception. If one does not exist, check the legal description to make sure it is the same as on the purchase and sale agreement.

JOINT USE

Driveways, party walls and access easements may require a joint maintenance agreement by the lender. The title report will show if one has been recorded.

EXTENDED COVERAGE

If an extended coverage policy is requested, an ALTA (American Land Title Association) survey of the property might be required. If there is a question on encroachment, lien rights or other matters, these must be cleared prior to closing. A supplemental report will be issued if these matters are cleared by an inspection of the property.

LEGAL DESCRIPTION

The legal description should always be compared to the legal description on the purchase and sales agreement to ensure all property being conveyed has been included and thereby covered in the preliminary commitment.

IDENTITY MATTERS

Judgments and liens may be eliminated with an identity affidavit if they do not affect the party in question. If they do affect the party, but have been paid and not satisfied of record, a release should be recorded or filed to eliminate the matters from the record.

DEED OF TRUST

Deeds of Trust which are paid off require a release from the public trustee or a court-ordered release to remove it from record.