



ask *Super Lawyers*

Why do I have to buy title insurance when purchasing property?



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responds ...

Although attorneys will insist you purchase title insurance, and lenders won't issue a mortgage without it, such a purchase is not required by law. Title insurance has the primary function of insuring owners in the event of an actual defect in the chain of ownership while protecting against hidden title hazards that may threaten owners' financial investments in their homes.

Title insurance is a contract obligation whereby the title company agrees under the terms of the title policy contract to indemnify an owner for loss or damage that may occur. Title insurance reimburses the property owner if there is a legal barrier to occupancy or resale.

Many types of problems may threaten an

owner's property interest, creating the need for title insurance. One common issue involves mistakes made by the recording office, where ownership documents may be incorrectly recorded or not recorded at all. Title insurance also insures against losses resulting from fraud, forged transfer documents and entities claiming ownership of your land. If the insured party has the above or other title defects affecting ownership or cannot sell his or her property, the title company will either pay the legal fees to defend the action or pay the insured the value of the property at the date of purchase. Recently, decreased lending restrictions have led to a rise in claims, making title insurance more important than ever before.