

Overcoming Common Objections to the Purchase of an Owner's Title Insurance Policy¹

The following suggestions are proposed talking points that agents and/or their staff may want to use when dealing with buyers who are deciding whether or not to purchase an Owner's Policy of Title Insurance. Based on the type of doubt as to the need for an Owner's Policy raised by the buyer, the following may be of assistance:

- SOURCE OF TITLE -

"I **inherited** the property."

- Since no title has been run for all those years there could be:
 - Ownership disputes
 - Boundary issues
 - Outstanding taxes
 - Other liens
- Probates may not have been filed
- There may be missing interests
- There may be liens against the deceased
- There could be a will contest

"I am buying from a **family member**."

- See above for possible probate issues
- Actual ownership is not clear without title research

"I am buying from the **developer of the condominium**."

- There may be:
 - Mechanic's liens
 - Unpaid condo fees
 - Partial release/payoff amount discrepancies
- Real Estate taxes may not have been assessed for the unit vs. the whole building/parcel
- Without review, the validity and effect of documentation is not known: examples-
 - Has the proper unit plan been recorded?
 - Where is the location of, and what is the ownership nature of appurtenant rights?

"I am buying from the **bank that foreclosed**."

- The only attorney to review the back title and validity of the foreclosure is the one who did the bank's foreclosure work
- Recent legal decisions have upset the existing understanding of 'what is a good foreclosure'; only those with an Owner's Policy are getting a policy after that fact

- PROPERTY IMPROVEMENTS -

The house is brand **new construction/no prior owner lived there/a new subdivision**.

- There may be issues of legal right of access (vehicle or other)
- The house may not be on the lot you are buying
- There are very likely to be easements, restrictions, covenants, conditions on use which will affect your ownership rights
- There may be homeowners association dues/responsibilities

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The house has **been there/had the same owner for years.**

Doesn't mean they haven't created a title problem-
There may be:

- Life estates
- Home equity lines
- Refinances without discharges of mortgage

- Divorce settlements
- Unpaid taxes
- Assessments
- Municipal utility bills

See also "inherited properties" and "family member transfers"

It's **vacant land.**

- Boundaries are frequently unclear
- There may be unrecorded deeds
- Vacant land tends to be a property that is:
 - Forgotten in probates

- Omitted in wills
- Not part of estate planning
- Not included in divorce settlements
- Overlooked in real estate taxation

- PROPOSED USE OF PROPERTY -

"I am only going to **own it for a short time.**"

- The refinancing/new buyer's lender's settlement agent will be able to do more efficient title work if you have an Owner's policy.
- Most title issues that arise at the time of a sale result in claims that are handled on behalf of the new owners in the transaction.

"It's only an **investment/second home** for me."

- It is still an asset whose ownership should be insured
- Title problems arise regardless of use

- DELUDED AS TO OTHER'S LIABILITY -

"The **attorney is liable** for any issues that come up."

- The attorney's liability is limited by the parameters (s)he includes in a certification letter
- Attorneys can die, leave the practice or get disbarred leaving the owner with no recourse
- Errors by title abstractors and registries of deeds (not the closing attorney) make up approximately 18% of First American claims*

* According to the Benefits of Owner's Title Insurance and Eagle Policy brochure.

- EXPENSE -

"My '**trusted advisor**' told me not to spend the money/it's a scam."

- ASK: Do THEY have an Owner's Policy?
- Is this person an attorney?
- Is this person going to help you pay to clear a title issue?
- Is this person looking out for your best interest?

"I **can't afford to buy** it today."

- You can't afford not to! It is the biggest cash investment you have (even a bank's FDIC insurance doesn't go over \$250,000)
- I will call you in 3/6/9 months to revisit this
- It is a one-time fee paid at closing (over a 10-year-average ownership term of the average priced house; it costs \$11/month)
- It covers you or your heirs for your full ownership period

"I am covered because the **bank had a policy.**"

- But the bank policy isn't triggered by the same issues as an owner's
- The bank has no claim unless there is a default and foreclosure
- The bank's coverage amount is less than the owner's amount



The Law office of
David R. Rocheford, Jr., P.C.
978-728-5104
www.TheBestClosings.com



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