

OVERCOMING

Owner's Policy Objections



When TRID requirements go into effect, lenders will begin issuing a new Closing Disclosure to homebuyers. This new form will list the Owner's Policy of title insurance as an "optional" purchase. While owner's title insurance has never been required, this "optional" language could spur questions regarding the value of title insurance. Below are some of the more common "objections" to the purchase of an Owner's Policy, along with suggested responses and existing resources that you might want to share with your customers in order to better illustrate the value of title insurance.

Note: These talking points and resources should only be used if the customer raises objections or asks questions about the purchase of an Owner's Policy.

➔ **"I'm already paying for title insurance."**

This charge is for a lender's policy of title insurance, which protects your lender. This coverage is required, but does not offer protection for your investment. Only an Owner's Policy helps protect your interests. In fact, your bank's loan policy only covers the amount of the mortgage and only lasts until that debt is settled. An Owner's Policy offers you protection for as long as you or your heirs have an interest in the property.

➔ **"This is a brand new home."**

There are several title issues that could exist even with newly constructed homes. While the structure might be new, the property on which it sits is not, and there could be title issues that exist with the land. Not to mention that mechanics' liens could exist resulting from unpaid construction debts. Other potential issues include legal rights of access, easements, restrictions, covenants, HOA liens or other issues that may affect your ownership and enjoyment of the property.

➔ **"This is a foreclosure."**

If you're buying a foreclosure, the only attorney to review the property's back title and validity of the foreclosure is the attorney who performed the bank's foreclosure work. There could still be clouds on the title or outstanding liens or debts that may surface after the transaction is complete.

➔ **"The sellers have lived there for decades."**

The amount of time the sellers owned the property does not translate to a worry-free transaction. There could still be unsettled issues that affect the property title, including problems stemming from life estates, home equity lines, refinances, divorce settlements, unpaid taxes, assessments and municipal utility bills.

➔ **"I'm only buying land."**

There can be many title issues affecting vacant land. These include unclear property boundaries, unrecorded deeds or the discovery of prior interests due to omissions in wills and estate planning, divorce settlements and real estate taxation.

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➔ **"I'm not going to own it for long" or "I'm planning to flip it."**

When you sell the property, the buyer's title agent will be able to do more efficient work if an Owner's Policy is already in place. Not to mention that, as the owner, you will be responsible for resolving issues that affect the insurability of the property. Title defects may drastically affect your ability to resell the property when they are discovered during the settlement process.

➔ **"This is just an investment property" or "This is just a vacation home."**

Regardless of how you'll use the home, it's still an investment – and an asset. Title issues may arise regardless of how the home was or will be used.

➔ **"I've been told that title insurance isn't worth it."**

Considering that you only pay the premium for an Owner's Policy of title insurance once and it offers you protection for as long as you or your heirs hold an interest in the property, title insurance is a valuable investment. This is especially clear when you compare the cost of the premium with the cost of defending and/or settling a title claim.

➔ **"I can't afford another fee."**

It's likely that this home is your largest investment. Your Owner's Policy is actually a one-time premium; once you've paid for it, you're covered for as long as you own the home. Even heirs to the property are covered under your policy. Plus, there may be a discount available when purchasing the Owner's Policy alongside a loan policy, which is already required.

➔ **"I don't see the value."**

While it may not be required by law, the issuance of an Owner's Policy is considered the standard of care within the real estate industry. In fact, many real estate contracts automatically include a requirement for an Owner's Policy to protect the buyer. Additionally, if we consider the fact that a lender requires their own policy to protect their interest you can see that your own interest in the property should also be protected.

➔ **"I looked at the title commitment / preliminary report and I don't see anything that will be a problem."**

There may be hidden issues in the title chain that won't surface until later. For instance, if fraud or forgery occurred somewhere in the past, an owner's title policy may protect you when the fraudulent activity is discovered.