



## **TEXAS HOMEOWNER'S TITLE INSURANCE**

The following information has been compiled by the Texas Department of Insurance (<http://www.tdi.state.tx.us/consumer/title.html>) and is provided to you by Traditions Residential Lending in order to assist you in the complete homebuying process.

Title insurance provides protection against title defects that were unknown to you at the time you purchased the policy.

The term "title" refers to the collected ownership records of a piece of real estate, including the transfer of any property rights, and any loans using the property as collateral. A clear line of title makes you much less vulnerable to ownership claims from other parties and to outstanding debts of previous property owners.

Before writing a policy, a title company will check for defects in your title by examining public records, including deeds, mortgages, wills, divorce decrees, court judgments, tax records, liens, encumbrances, and maps. The company will then defend in court any claims to the property that are covered by your policy, subject to certain limitations. If the company loses, it will pay you for covered losses up to the amount of your policy.

Title companies also handle the closing of a property sale and hold any earnest money in a trust account until the purchase is complete.

### ***Mortgage and Owner Policies***

In Texas, the two most common types of title policies are "mortgagee policies," which protect lenders, and "owner policies," which protect property buyers.

Most lending institutions won't loan you money to buy a house or other property unless you purchase a mortgagee policy. This policy will repay the balance of your mortgage if a claim against your property voids your title.

Mortgagee policies remain in effect until the loan is repaid. Most lenders will require you to buy a new mortgagee title policy if you refinance your home. When the new loan pays off the existing loan, the old mortgagee policy expires. You are entitled to a premium discount on a new mortgagee policy if you refinance within seven years.

Owner policies insure property owners against the specific kinds of claims listed in the policy. When you buy a house and purchase a mortgagee policy, a title company will automatically issue an owner policy - for a set premium - unless you specifically reject it in writing.

An owner policy remains in effect as long as you or your heirs own the property or are liable for any title warranties made when you sell the property. You should keep your owner policy, even if you transfer your title or sell the property.

### ***General Information about Title Insurance***

In Texas, title policy forms are standardized. This means the policy language is the same, regardless of the company. Different companies may describe their coverage exceptions differently, however. Therefore, it's important that you read your policy carefully. Pay special attention to "Schedule B" of the policy, which explains any limitations, exclusions, exceptions, and special conditions. You may want to discuss these exceptions with an attorney before you close on a real estate deal.

Also, check the policy's legal description of the land against your survey and your earnest money contract. Title insurance generally does not protect against boundary disputes with neighbors. However, this coverage is available for purchase for an additional premium.

In addition:

- A title policy does not guarantee that you will be able to sell your property or borrow money on it, or that you won't lose money if you do sell it.
- Title insurance only protects you from claims of ownership. It does not insure against fire, flood, theft, or any other type of property damage or loss.





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- An owner policy only covers you up to the value of the property at the time you purchased the policy. It does not cover any increase in value, unless you purchase a special "increased value endorsement."
- A mortgagee policy covers up to the amount of the principle on your loan.

## **Title Policy Premiums**

The premium for a title policy is paid only once, at the closing of the sale. The buyer and seller may negotiate who pays the premium.

Title insurance premium rates are set by the Texas Department of Insurance (TDI) and are based on the property's sale value using a sliding scale. For example, the basic premium for a \$50,000 property is \$520, and the basic premium for a \$100,000 property is \$871.

Some title companies add extra charges for tax certificates and escrow fees, recording fees, and delivery expenses. Review any extra charges carefully; you may negotiate or demand documentation of the true cost of these services. You have the right to receive your closing papers a day in advance of the closing if you request. You may also have an attorney attend the closing with you.

## **Always buy from a licensed company**

You may choose any title company you want - you don't have to use a company selected by a real estate agent or lender. Make sure that you buy from a licensed title company, however. It's illegal to sell title insurance without a license in Texas. In addition, if you buy from an unlicensed company and the company goes broke, your claims could go unpaid. The Texas Title Insurance Guaranty Association pays claims against licensed companies that become insolvent, up to \$250,000 per claimant, or \$250,000 per policy.

To verify that a company is licensed, call TDI's **Consumer Help Line**

**1-800-252-3439**

**463-6515** in Austin

## **What a title policy covers**

If someone claims an interest in your property, a title company will defend your title in court and pay for any actual loss under these circumstances:

- A lien against your title exists because a previous owner failed to pay a mortgage or deed of trust; a judgment, tax, or special assessment; or a charge by a homeowners or condominium association. If you receive notice of a previous lien, contact your title company immediately and follow your policy's claim filing procedure. Failure to do so could jeopardize your claim.
- A lien exists for labor and materials furnished by a contractor without your consent. Generally, your policy protects you if you buy your house already built, but not if you own the land and contract with a builder to build your home. Consult an attorney about your rights.
- Other liens or encumbrances on your title exist but aren't listed in the policy exceptions.
- Leases, contracts, or options on your land weren't recorded in the public records and disclosed to you.
- The title policy failed to disclose legal restrictions on how you can use your property.
- An easement exists that isn't in public records and that you don't know about. The title policy assures you a legal right of access to your property. This means that you have a right to travel from your property to a public street or road.
- A notary public erred or someone failed to properly sign a document in your chain of title, made an error in recording the document at the county clerk's office, or failed to deliver the deed according to statutory requirements.

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- A deed or other document in your chain of title is invalid as a result of forgery, fraud against the rightful owner, a signature given under duress, or a signature by a person legally incompetent to sign or someone claiming to be someone else.

## **What a title policy doesn't cover**

In general, a title policy won't cover problems with your title that occur after the date you purchased the policy, nor will it protect you from problems that you create or from problems unrelated to your or the lender's property interests.

Your policy also will not cover any special exceptions - such as a public utility easement - added by the title company during the title examination process. These exceptions must be listed in Schedule B of your policy. The company must make you aware of each exception and describe it using common language so that you can easily locate the reason for the exception in public records.

In addition, a title policy generally will not cover the following:

- Effects of your failure to pay value for your property.
- An unrecorded title defect that you knew about or allowed to occur.
- Violations of building and zoning ordinances and other laws and regulations dealing with land use, land improvements, land division, and environmental protection.
- Restrictive covenants limiting how you may use the property and prescribing requirements for buildings constructed on the property. Schedule B lists these restrictions. Be sure to request copies of any restrictions and have your attorney explain them. The title company may charge you for the copies.
- Losses resulting from rights claimed by "parties in possession," such as renters or adverse claimants who occupy the land. If you object to the exception, the title company may inspect the property and delete the exception from your policy. The title company may charge for the inspection.
- Condemned land, unless the condemnation occurred before the policy date and is binding on you even if you bought the land without knowing it was condemned, or unless a condemnation notice appeared in public records on the policy date.
- Homestead, community property, or survivorship rights, if any, of a policyholder's spouse. Texas homestead laws uniquely address the rights of a spouse or survivors of a property owner. Have your attorney explain your rights and limitations under the law.
- Conveyance of title irregularities arising from a deceased person's estate, a bankruptcy estate, or a trust. Consult an attorney to have these situations explained to you.
- Claims from other people who may have certain rights if your property is on or near the shores of a body of water or has a river or stream flowing through it. If you don't understand the rights of others to use your property because it's situated on or near a body of water or created with fill, ask your attorney for an explanation.
- Certain taxes and assessments. Your title policy ensures that all property taxes and assessments are paid for the most current year available. However, certain tax exemptions enjoyed by previous owners could result in more taxes being assessed against your property in the future. If you buy property with borrowed money, the lender may ask that its mortgagee policy delete the exception for "subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership." In such cases, the title company may require that the assessment be calculated and paid.





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## TEXAS TITLE INSURANCE PREMIUM RATES

**EFFECTIVE JULY 1, 2004**

Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium
\$10,000	\$237	\$32,500	\$396	\$55,000	\$554	\$77,500	\$713
10,500	241	33,000	399	55,500	557	78,000	717
11,000	243	33,500	403	56,000	562	78,500	721
11,500	247	34,000	406	56,500	565	79,000	725
12,000	251	34,500	410	57,000	568	79,500	726
12,500	254	35,000	413	57,500	572	80,000	730
13,000	258	35,500	417	58,000	576	80,500	734
13,500	262	36,000	420	58,500	579	81,000	739
14,000	266	36,500	424	59,000	583	81,500	741
14,500	269	37,000	427	59,500	586	82,000	745
15,000	271	37,500	431	60,000	590	82,500	749
15,500	275	38,000	435	60,500	594	83,000	753
16,000	279	38,500	439	61,000	597	83,500	755
16,500	283	39,000	441	61,500	600	84,000	758
17,000	286	39,500	445	62,000	604	84,500	763
17,500	290	40,000	448	62,500	608	85,000	767
18,000	294	40,500	452	63,000	611	85,500	770
18,500	297	41,000	455	63,500	614	86,000	773
19,000	300	41,500	460	64,000	618	86,500	777
19,500	303	42,000	463	64,500	622	87,000	781
20,000	308	42,500	467	65,000	625	87,500	784
20,500	311	43,000	469	65,500	628	88,000	787
21,000	315	43,500	473	66,000	632	88,500	791
21,500	318	44,000	476	66,500	637	89,000	795
22,000	322	44,500	480	67,000	640	89,500	798
22,500	325	45,000	484	67,500	642	90,000	801
23,000	328	45,500	488	68,000	646	90,500	805
23,500	332	46,000	491	68,500	650	91,000	809
24,000	336	46,500	495	69,000	653	91,500	813
24,500	339	47,000	497	69,500	656	92,000	815
25,000	343	47,500	501	70,000	661	92,500	819
25,500	346	48,000	505	70,500	665	93,000	823
26,000	350	48,500	509	71,000	668	93,500	827
26,500	353	49,000	512	71,500	670	94,000	829
27,000	356	49,500	516	72,000	674	94,500	833
27,500	360	50,000	520	72,500	678	95,000	838
28,000	364	50,500	523	73,000	682	95,500	841
28,500	367	51,000	525	73,500	685	96,000	843
29,000	371	51,500	529	74,000	689	96,500	847
29,500	374	52,000	533	74,500	693	97,000	851
30,000	378	52,500	537	75,000	696	97,500	855
30,500	381	53,000	540	75,500	698	98,000	857
31,000	385	53,500	544	76,000	702	98,500	862
31,500	388	54,000	548	76,500	706	99,000	866
32,000	392	54,500	551	77,000	710	99,500	869
						100,000	871

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## TEXAS TITLE INSURANCE PREMIUM RATES

Premiums shall be calculated as follows for policies in excess of \$100,000:

**1. For policies of \$100,001 - \$1,000,000**

**Basic Premium**

- (1) Subtract \$100,000 from policy amount.
- (2) Multiply result in 1. (1) by \$.00552 and round to nearest whole dollar.
- (3) Add \$871 to result in 1.(2).

**2. For Policies of \$1,000,001 - \$5,000,000**

**Basic Premium**

- (1) Subtract \$1,000,000 from policy amount.
- (2) Multiply result in 2.(1) by \$.00453 and round to nearest whole dollar.
- (3) Add \$5,839 to result in 2. (2).

**3. For policies of \$5,000,001 - \$15,000,000**

**Basic Premium**

- (1) Subtract \$5,000,000 from policy amount.
- (2) Multiply result in 3. (1) by \$.00374 and round to nearest whole dollar.
- (3) Add \$23,959 to result in 3.(2).

**4. For policies of \$15,000,001 - \$25,000,000**

**Basic Premium**

- (1) Subtract \$15,000,000 from policy amount.
- (2) Multiply result in 4. (1) by \$.00266 and round to nearest whole dollar.
- (3) Add \$61,359 to result in 4. (2)

**5. For policies in excess of \$25,000,000**

**Basic Premium**

- (1) Subtract \$25,000,000 from policy amount.
- (2) Multiply result in 5.(1) by \$.00159 and round to nearest whole dollar.
- (3) Add \$87,959 to result in 5.(2).

**The information in this publication is current as of the revision date. Changes in laws and agency administrative rules made after the revision date may affect the content. View current information on the TDI website at <http://www.tdi.state.tx.us/consumer/title.html>. TDI distributes this publication for educational purposes only. This publication is not an endorsement by TDI of any service, product, or company.**

