When it comes to title insurance,
the choice is yours.

CONSUMER'S GUIDE TO TITLE INSURANCE

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1 THING
to know before you sign.

Nevada Division of Insurance
Talk to us. We're here to help.

What is title insurance?

Are you aware that you have a choice
when selecting a title agency?

Did you know there could be a difference in
price for the same title insurance policy?

Introduction

For many people the purchase of a home is the American Dream. The purchase of their home (or other real property) will be the largest purchase they will make. The excited buyers purchase homeowners or other property insurance to protect their investment. Some of these new owners shop before purchasing that insurance to ensure they receive the best deal or best service. However, there is another insurance purchase made at the same time that is just as crucial — the purchase of title insurance. Yet, many people do not compare rates and are not even aware that they have a choice in the selection of title insurers.

The Nevada Division of Insurance has designed this consumer brochure as a tool for consumers to protect the purchase of their real estate. This brochure is presented in two parts: 1) Answers to Questions About Title Insurance; and 2) Tips When Buying Title Insurance.

Answers to Questions About Title Insurance

Here, we explain the basics of title insurance including its nature and purpose, the types of policies available and how to purchase it.

"Title" means the collective ownership records for a piece of property. This includes all previous transfers of ownership and liens on the property. The title to your property outlines your legal rights to own, use, possess, control or dispose of the property.

Transferring title to real property, meaning land and any buildings or other improvements built on the land, is more complex than transferring title to a car or other kinds of property. While land is permanent, land usage may change over time. For example, you may retain ownership of a piece of real property while transferring certain rights to the property, such as mineral rights, to someone else.

What Is a Title Defect or Encumbrance?

A title defect or encumbrance is a problem or omission in the ownership records of a property that may impair your legal rights to that property. Defects in a title may include errors and omissions in recorded deeds, missing or undisclosed heirs, conflicting wills, fraud or forgery, mistakes in examining records, liens for unpaid taxes and contractor liens.

What Is Title Insurance?

Title insurance is a contract in which the title insurance company, in exchange for a one-time premium at close of escrow, protects against future losses resulting from defects in the title to real property that exist at the time of purchase but are unknown or undisclosed.

Title insurance is significantly different from homeowners insurance and other casualty insurance. Casualty insurance provides protection from losses due to unknown future events such as fire or theft for a specified period of time (e.g. a yearly premium for a year of coverage). Title insurance provides protection for a one-time premium for an indefinite period of time from future losses because of events that have already occurred (e.g. claims of ownership). Because of this, title insurers eliminate risks and prevent losses in advance through extensive searches of public records and thorough examination of the title.

For example, in the event that there is a claim against the title to your property by the ex-wife of the seller that was unknown or undisclosed at the time the title policy was issued, the title insurer would be obligated to defend that claim against your property. If it was proven in a court of law that the ex-wife did have a right to the property, the title insurer would be obligated to compensate you for your losses.

Owner

Lender

What are the Different Types of Title Insurance?

There are two types of title insurance policies—the owner's policy and the lender's policy. The owner's policy will typically be issued in the form of the Standard Coverage Form in the amount of the purchase price of the property. It does not cover increases in value unless you purchase an endorsement. It covers the buyer's interest in the property for as long as the buyer or his or her heirs have an interest in the property subject to certain limitations.

The lender's policy will typically be issued in the form of the Extended Coverage Form in an amount equal to the mortgage loan. It covers the lender's interest in the property for the life of the loan. It provides additional coverage not found in a typical owner's policy such as unrecorded easements and boundary discrepancies.

Owners may also elect to purchase a Homeowner's Policy of Title Insurance instead of the Standard Coverage Form. Introduced in the 1990s, this policy includes the standard coverages of a typical owner's policy and additional coverages, such as forgery occurring after the policy effective date and increases in the value of the property. The premium for the Homeowner's Policy is typically 10 percent higher than the Standard Policy premium.

Do I Need Title Insurance?

If you are borrowing money for a piece of property, most lenders will require a lender's policy to protect their interest in the property. You are not required to purchase an owner's policy, but you should weigh the potential impact of a loss against the cost of the title insurance. Neither the lender's policy nor the policy of the previous owner will protect you if there is a claim. Also, there is generally a substantial discount when a lender's policy and owner's policy are purchased together.

I Am Purchasing a Newly-Built Home. Do I Really Need Title Insurance?

Even though you are the first owner of the home, there have likely been many previous owners of the unimproved land. There may be mechanics' liens on the property placed by unpaid contractors and subcontractors. A title search will uncover any existing liens, and a survey will determine the boundaries of the property being purchased.

I Am Refinancing My Home. Why Does the Lender Require a New Title Policy?

It is not necessary to purchase a new owner's policy when you refinance a home. Your original policy purchased when you bought your home is effective as long as you and your heirs have an interest in the property. However, most lenders require a new policy based on the new transaction amount to protect their investment in the property because defects in title might have arisen between the original purchase and the refinance. For example, a building contractor may have put a mechanic's lien on the property, or you may have incurred a judgment for unpaid taxes, child support or homeowners association fees. The new policy would also cover defects not detected when the previous policy was issued. Many title insurers have a discounted rate for lender's policies on a refinance. Be sure to ask your lender or title agent about these discounts.

What Does My Title Insurance Policy Cover?

A title insurance policy protects you from financial loss due to covered claims against your title, pays your legal costs if the title insurance company is required to defend your title against covered claims and pays successful claims against your title.

Claims typically covered under an owner's title insurance policy include:

- Someone other than the insured who owns an interest in the property.
- Forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation.
- Defective recording of a document.
- Restrictive covenants.
- Undisclosed liens due to a deed of trust, unpaid taxes, special assessments or homeowners association charges.
- Unmarketability of title.
- Lack of access to and from the land.

Ask your title insurance agent to explain what is and is not covered under your title insurance policy.

What Is a Title Search and Examination?

Because title insurance covers losses due to defects that already exist, a major part of the title insurance transaction is the title search and examination. Before issuing a policy, the insurer will conduct a detailed examination of the historical public records concerning the property. These records include, but are not limited to, deeds, mortgages, wills, tax records and maps.

The title search should show all defects and encumbrances including judgments, liens and other restrictions. According to the American Land Title Association, 26 percent of title searches find a problem which the title insurer cures before issuing the policy. After the title search and examination, the insurer will issue a Preliminary Report of Title or Commitment for Title Insurance listing the existing encumbrances. If these encumbrances cannot be cured, they are excluded from coverage. Title insurance provides protection against undisclosed defects. It is generally not intended to protect against defects that are uncovered by the title search but cannot be cured.

How Are Title Insurance Premiums Paid?

Title insurance premium is paid one time at the time of closing usually through the title agency. It is based on the amount of insurance you purchase. Insurers are required to file their schedule of rates including any discounts or other modifications. Modifications include discounts for short-term policies or refinances, special rates for large commercial projects and charges for optional endorsements.

Title Insurance Rates are available to view and compare online at titlerates.doi.nv.gov.

Local custom determines who pays the premium for title insurance. In Nevada, the seller usually pays the premium for the owner's policy and the buyer usually pays the premium for the lender's policy. This may, however, be negotiated between the buyer and seller. There is a substantial discount for the lender's policy when purchased simultaneously with the owner's policy.

Research

Verify

Select

Where Can I Purchase Title Insurance?

Although your real estate or mortgage broker may recommend a particular title agency, Nevada law prohibits them from requiring that consumers use a particular agent or insurer. You may purchase title insurance from any title insurer authorized to do business in Nevada. You should verify that an insurer is authorized in Nevada at DOI.NV.GOV or by calling toll-free anywhere in Nevada (888) 872-3234.

In order to help you make the best purchasing decision, the Division now has an online Title Insurance Rate Comparison Tool, which allows you to put in the purchase price, down payment, county and other details to then view and compare the title insurance and escrow rates available in your area. This comparison tool can be found at TITLERATES.DOI.NV.GOV.

Title insurers may offer their policies directly to consumers through affiliated or independent agents. Different title agents – also known as title companies – may offer different services, and title insurance rates and escrow fees may vary between companies. Again, you may purchase title insurance through any Nevada licensed title company. Verify a title agent's license with the Division of Insurance online at DOI.NV.GOV/LICENSING-SEARCH or by phone at (888) 872-3234.

There are many reasons a real estate or mortgage broker may recommend a title agency. The title agency may be conveniently located or may provide efficient and accurate service. However, the broker may have a financial interest in the title agency or other business incentives to refer customers to the agency. For this reason, it is important to shop around and make the selection that makes the most sense for your situation.

Some factors to consider when choosing a title agent or title insurer are the cost of the title insurance and escrow fees, speed and accuracy of closing services, quality and timeliness of claims resolution and frequency and resolution of consumer complaints filed with the Division of Insurance. Ask friends, relatives or business associates regarding their experience and satisfaction with a title agency. Or, you can contact the Division of Insurance and inquire about the number of complaints received and the nature of those complaints.

What Should I Do if I Have a Claim?

Be sure to keep a copy of your title insurance policy. As soon as you discover a title-related problem, contact the insurer listed on your policy. Make your claim in writing and include copies of all relevant documents including any correspondence related to the claim. Keep copies of all documents for your own records. Nevada law requires insurers to acknowledge receipt of a claim within 20 working days after receipt of the claim notice and to accept or deny a claim within 30 working days after receiving properly executed proofs of loss.

What Other Costs May Be Involved?

Escrow Fee – Besides title insurance premiums, you must pay the title company a fee for escrow and closing services. This is called the escrow fee. Escrow and closing services generally include holding the purchase funds in an escrow account and distributing them to the proper parties at the close of sale, gathering all required documents and presiding over their signing, and recording the deed. Nevada law requires each title insurer and title agent to make available to the public its schedule of fees and charges, including escrow fees. Some title companies have the schedules available on their website.

Short Sale and Foreclosure – Today's real estate market includes more and more short sales and real-state owned (REO) properties. A short sale is one in which the sale price of the property is less than the amount owned on the mortgage. Because of this, the lender must approve any short sale before it occurs. An REO property is one owned by the lender as a result of an unsuccessful sale at a foreclosure auction. Short sales and REO closings involve more time and expense for the title company than a regular closing. Because of this, many title companies impose a short-sale fee or REO fee on top of the basic escrow fee. Different title companies have different fees. Be sure to shop and compare prices before selecting a title company.

Private Transfer Fee – Some developers include a Private Transfer Fee (PTF) covenant in their sales contracts. A PTF covenant requires that each time the home is resold, a percentage of the sale price is paid to the original developer. A typical PTF covenant requires that for the next 99 years, when the buyer and any subsequent buyer resell the home, they must each pay a 1% fee to the developer. These covenants became common in the mid 2000s but may be less common in the future as some states are banning the use of PTF covenants, and the Federal Housing Finance Agency is restricting Fannie Mae, Freddie Mac and Federal Home Loan Banks from dealing in mortgages that include PTF covenants.

Where Can I Find More Information?

For questions or problems with title insurers or title agents, contact the Nevada Division of Insurance toll free in Nevada at (888) 872-3234, the Carson City Office at (775) 687-0700, or the Las Vegas Office at (702) 486-4009. Visit our website at DOI.NV.GOV for other consumer guides.

For questions or problems with mortgage lenders and escrow companies licensed in this state, contact the Nevada Division of Mortgage Lending at (702) 486-0780, or visit its website at MLD.NV.GOV.

For questions or problems with real estate agents and brokers licensed in this state, contact the Nevada Real Estate Division at (702) 486-4033, or visit its website at RED.STATE.NV.US.

For information on title insurance and title agents, contact the American Land Title Association toll free at (800) 787-ALTA, or visit its website at ALTA.ORG.

For information on buying or selling a home, contact the U.S. Department of Housing and Urban Development at (202) 708-1112, or visit its website at HUD.GOV for information regarding the federal Real Estate Settlement Procedures Act (RESPA).

Tips When Buying Title Insurance

Here are some things to keep in mind when buying title insurance.

- Verify that the title insurer and title agent are licensed to conduct business in Nevada. You can verify the status of a license by visiting the Division's website at DOI.NV.GOV.
- Compare title insurance and escrow rates at TITLERATES.DOI.NV.GOV.
- Check that the policy amount is correct. The owner's policy should insure the full purchase price of the property. The lender's policy should provide coverage equal to the amount of the mortgage loan.
- Determine who is going to pay for each policy. In Nevada, the seller usually pays for the owner's policy and the buyer pays for the lender's policy. However, this may be negotiated between the buyer and seller.

- Verify the effective date of the policy. It should be the same date as the close of escrow.
- Check to make sure that the policy describes all of the property being purchased and all the interests being acquired by you.
- Read and understand the terms of the insurance contract, including any limitations and exclusions in the policy. Ask your agent if you do not understand something.
- Make sure the name of the insurance company and the title agency appear on any legal documents in case you need to file a claim or file a complaint in the future. Keep these documents in a safe place.
- Check with your title agent to see if your purchase may qualify for any discounts on title premium or escrow fees. Some title insurers and agents offer discounts for short-term financing or refinancing.
- Title insurers may offer concurrent or reduced rates if they are providing both the owner's policy and lender's policy in the same transaction.
- Compare rates, services and policies offered. Talk to your title insurance agent about which policy (standard, extended or homeowners) is right for you.
- Your real estate or mortgage broker might have an ownership interest in the title agency selected to close the loan. Ask about any and all relationships with the title agency.
- Report any suspicious activity to the Division of Insurance. Rebates are illegal in Nevada.
- Remember: you are able to choose any title insurer/agent you desire. You are not required to use any title insurer or title agent suggested or recommended by a lender or real estate agent.

Compare Rates Online

Search and Compare Title Insurance and Escrow Rates Online

Before choosing a title insurance company, use the Division's Title Insurance Rate Comparison Tool to view and compare custom title insurance and escrow rates at TITLERATES.DOI.NV.GOV. The title and escrow rates listed are based on rates approved by the Division of Insurance for basic title and escrow services in conjunction with a real estate and mortgage transaction in order to provide a fair basis of comparison among companies.

Services provided in these basic rates include:

- Review, compliance with, and downloading of instructions and documents
- Preparation of commission instructions and escrow instructions
- Procurement of demand statements
- Ordering of preliminary reports/ commitments
- Figuring files
- Complying with lender requirements
- Procuring proper signatures, including loan documents, as necessary
- Preparing closing statements
- Receiving and disbursing funds
- Communication
- Local delivery
- Ordinary mailing and postage
- Ordinary emails, faxes and phone calls

There may be additional charges or discounts applicable to your particular transaction. Some examples of discounts and additional fees include:

- First-time homebuyer discount
- Senior citizen discount
- Document preparation fee
- Overnight delivery fee
- Real estate owned transaction fee
- Wire fees

This Consumer's Guide to Title Insurance is intended to assist consumers in understanding title insurance. It is not intended as an "all inclusive" informational source. Please refer to your title insurance policy for coverage details.

State of Nevada
Department of Business and Industry

Brian Sandoval, Governor
Bruce H. Breslow, Director

Division of Insurance

Barbara D. Richardson, Commissioner

If you have a question about this guide or about a title insurer or agency, please contact:

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Phone: (702) 486-4009
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E-mail Address: insinfo@doi.nv.gov

Consumer Services Section
For consumer complaints, contact one of our Consumer Services Sections:

Carson City: (775) 687-0700
Las Vegas: (702) 486-4009
Toll-Free anywhere in Nevada (888) 872-3234

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