



Title Insurance

Why Do I Need Both a Lender's **AND** Buyer's Title Policy When Buying a Property?

When you buy real estate with all cash out of your own pocket, and you don't have to borrow any money to help pay the purchase price, the only title policy you will need to purchase is an Owner's Policy, since you are the only one with an interest in the property. But if you need a loan to help pay for the property, your lender will require you to sign a mortgage putting a lien on your property to secure the loan. The lender will also require you to buy a title policy insuring their lien on your property, and that title policy will be a Loan Policy. So, the easy answer to the above question is: You have to buy a Loan Policy because your lender requires you to do so.

An Owner's Policy insures you, as the purchaser and owner, that you own the property, subject to the exceptions and exclusions set out in the policy. A Loan Policy insures your lender not only that you own the property, but also insures the validity, priority and enforceability of the lien of their mortgage, subject to the exceptions and exclusions set out in the policy. The coverage seems like the same but can be very different.

The Owner's Policy is issued in the amount of the purchase price of the property, insures the owner

that he has good title to the real estate, and will take exception to the purchase money mortgage (among other exceptions) in Schedule B of the title policy. A Loan Policy is issued in the amount of the mortgage on the property, insures the lender that the owner has good title to the real estate, and that the lien of the purchase money mortgage is a valid and enforceable lien on the real estate.



Because both title policies insure the state of the title, they contain overlapping coverage, and so there is a commonality of risk on both policies. But not only are there different entities insured under the policies, but the interests insured are different.

The Loan Policy insures the lender and lender's lien on the property, and does not provide any protection or coverage to the owner. There can be situations where there might be a claim under the Owner's Policy but not under the Loan Policy, and visa versa.

When coming to closing, it is always wise to purchase the Owner's Policy and Loan Policy together using the simultaneous rate, and have the peace of mind knowing that Chicago Title will defend your title to your property for as long as you own it.



CHICAGO TITLE®