



**HS HOMESERVICES
TITLE**
A Berkshire Hathaway Affiliate

WHAT IS Title Insurance?

Title insurance is an agreement to indemnify against damage or loss from a defect in title as evidenced by a policy of title insurance to a specific parcel or real property. Following a search and examination of public records and in exchange for a premium paid, title insurance companies will assume the risk that title to a parcel of real property is as stated to be in the policy of title insurance.

Title companies provide services to buyers, sellers, real estate developers, builders, mortgage lenders and others who have an interest in the real estate transaction. Title companies provide assurances that the transfer of title takes place efficiently and that your interests as an insured are protected under the terms and conditions of the policy. Title insurance is different from many other types of insurances (casualty, auto, etc.). These other types of insurances assume risks by providing financial protection for losses arising from an unforeseen future event such as a fire, theft or accident. With title insurance, risks are examined and mitigated before the property changes hands.

Types of Title Insurance (Policies)

Owner's Policy

Insures an owner of any type of real property against loss by reason of those matters covered under the policy of insurance for as long as they own the property. There are several versions of each policy. Consult with your Real Estate Professional to determine which policy is best for you.

Lender's Policy

Insures the priority of the lender's security interest over claims that others may have in the property.

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FREQUENTLY ASKED QUESTIONS **About Title Insurance**

Q: What does title insurance insure?

A: Title Insurance offers protection against claims resulting from various defects (as set out in the policy) which may exist in the title to a specific parcel of real property effective on the issue date of the policy. For example, a person might claim to have a deed or lease giving them ownership or the right to possess your property. Another person could claim to hold an easement giving them a right of access across your land. Yet another person may claim that they have a lien on your property securing the repayment of a debt. That property may be an empty lot or it may hold a 50-story office tower. Title companies work with all types of real property.

Q: How much can I expect to pay for title insurance?

A: Although the title company or escrow office usually serves as a meeting ground for closing the sale, only a small percentage of total closing fees are actually for title insurance protection. Your title insurance premium may actually amount to less than one percent of the purchase price of your home and less than ten percent of your total closing costs. The title policy is good for as long as you and your heirs own the property with the payment of only one premium.

Q: Who will pay for title insurance charges, the buyer or the seller?

A: Surprisingly, "who pays" is not uniform. In some areas the buyer will pay while in others the seller will pay. In some places, the seller will pay for the owner's title policy and the buyer will pay for the lender's policy. But in every case, the question of who pays closing costs is a matter of agreement between the buyer and seller. Usually this agreement is based on the customary practice in your area.

32 Covered Risks for the Homeowner's Policy



The Covered Risks are:

- 1.** Someone else owns an interest in your title.
- 2.** Someone else has rights affecting your title because of leases, contracts, or options.
- 3.** Someone else claims to have rights affecting your title because of forgery or impersonation.
- 4.** Someone else has an easement on the land.
- 5.** Someone else has a right to limit your use of the land.
- 6.** Your title is defective. Some of these defects are:
 - a.** someone else's failure to have authorized a transfer or conveyance of your title.
 - b.** someone else's failure to create a valid document by electronic means.
 - c.** a document upon which your title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.
 - d.** a document upon which your title is based was signed using a falsified, expired, or otherwise invalid power of attorney.
 - e.** a document upon which your title is based was not properly filed, recorded, or indexed in the public records.
 - f.** a defective judicial or administrative proceeding.
- 7.** Any of Covered Risks 1 through 6 occurring after the policy date.
- 8.** Someone else has a lien on your title, including a:
 - a.** lien of real estate taxes or assessments imposed on your title by a governmental authority that are due or payable, but unpaid;
 - b.** mortgage;
 - c.** judgment, state or federal tax lien;

- d.** charge by a homeowner's or condominium association; or
- e.** lien, occurring before or after the policy date, for labor and material furnished before the policy date.
- 9.** Someone else has an encumbrance on your title.
- 10.** Someone else claims to have rights affecting your title because of fraud, duress, incompetency or incapacity.
- 11.** You do not have actual vehicular and pedestrian access to and from the land, based upon a legal right.
- 12.** You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land, even if the covenant, condition or restriction is excepted in Schedule B. However, you are not covered for any violation that relates to:
 - a.** any obligation to perform maintenance or repair on the land; or
 - b.** environmental protection of any kind, including hazardous or toxic conditions or substancesunless there is a notice recorded in the public records, describing any part of the land, claiming a violation exists. Our liability for this covered risk is limited to the extent of the violation stated in that notice.
- 13.** Your title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before you acquired your title, even if the covenant, condition or restriction is excepted in Schedule B.
- 14.** The violation or enforcement of those portions of any law or government regulation concerning:
 - a.** building;
 - b.** zoning;
 - c.** land use;
 - d.** improvements on the land;
 - e.** land division; or
 - f.** environmental protection, if there is a notice recorded in the public records, describing any part of the land, claiming a violation exists or declaring the intention to enforce the law or regulation. Our liability for this covered risks is limited to the extent of the violation or enforcement stated in that notice.



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15. An enforcement action based on the exercise of a governmental police power not covered by Covered Risks 14 if there is a notice recorded in the public records, describing any part of the land, of the enforcement action or intention to bring an enforcement action. Our liability for this covered risk is limited to the extent of the enforcement action stated in that notice.

16. Because of an existing violation of a subdivision law or regulation affecting the land:

- a.** you are unable to obtain a building permit;
- b.** you are required to correct or remove the violation; or
- c.** someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.

The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

17. You lose your title to any part of the land because of the right to take the land by condemning it, if:

- a.** there is a notice of the exercise of the right recorded in the public records and the notice describes any part of the land; or
- b.** the taking happened before the policy date and is binding on you if you bought the land without knowing of the taking.

18. You are forced to remove or remedy your existing structures, or any part of them - other than boundary walls or fences - because any portion was built without obtaining a building permit from the proper government office. The amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

19. You are forced to remove or remedy your existing structures, or any part of them, because they violate an existing zoning law or zoning regulation. If you are required to remedy any portion of your existing structures, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

20. You cannot use the land because use as a single-family residence violates an existing zoning law or zoning regulation.

21. You are forced to remove your existing structures because they encroach onto your neighbor's land. If the encroaching structures are boundary walls or fences, the amount of your insurance for this covered risk is subject to your deductible amount and our maximum dollar limit of liability shown in Schedule A.

22. Someone else has a legal right to, and does, refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it because your neighbor's existing structures encroach onto the land.

23. You are forced to remove your existing structures which encroach onto an easement or over a building set-back line, even if the easement or building set-back line is excepted in Schedule B.

24. Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the land, even if the easement is excepted in Schedule B.

25. Your existing improvements (or a replacement or modification made to them after the policy date), including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the land or excepted in Schedule B.

26. Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects your title which is based upon race, color, religion, sex, handicap, familial status, or national origin.

27. A taxing authority assesses supplemental real estate taxes not previously assessed against the land for any period before the policy date because of construction or a change of ownership or use that occurred before the policy date.

28. Your neighbor builds any structures after the policy date - other than boundary walls or fences -- which encroach onto the land.

29. Your title is unmarketable, which allows someone else to refuse to perform a contract to purchase the land, lease it or make a mortgage loan on it.

30. Someone else owns an interest in your title because a court order invalidates a prior transfer of the title under federal bankruptcy, state insolvency, or similar creditors' rights laws.

31. The residence with the address shown in Schedule A is not located on the land at the policy date.

32. The map, if any, attached to this policy does not show the correct location of the land according to the public records.



STANDARD VS ENHANCED

Coverage comparison of standard ALTA owner's policy and homeowner's policy of title insurance.



COVERED RISKS	STANDARD ALTA OWNER'S POLICY	ENHANCED HOMEOWNER'S POLICY
You are forced to remove your existing structures because they encroach onto your neighbor's land	✓	✓+
Any defect in or lien or encumbrance on the title	✓	✓
Unmarketability of the title	✓	✓
Lack of right of access to and from the land	✓	✓
Title to the estate or interest described in Schedule A being vested other than as stated therein	✓	✓
Someone has a legal right to and refuses to perform a contract to purchase the land, lease it or make a mortgage loan on it because your neighbor's existing structures encroach onto the land	✓	✓
You are forced to remove your existing structures, which encroach onto an easement or over a building set-back line	✓	✓
Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the land	✓	✓
You are forced to remove or remedy your existing structures, or any part of them because they violate an existing zoning law or zoning regulation	⊘*	✓+
You are forced to remove or remedy your existing structures, or any part of them other than boundary walls or fences because any portion was built without obtaining a building permit from the proper government office	⊘*	✓+
Your neighbor builds any structures after the policy date which encroach onto the land	⊘	✓
The residence with the address is not located on the land at the policy date	⊘	✓
The map, if any, attached to the policy does not show the correct location of the land according to the public records	⊘	✓
You do not have both actual vehicular and pedestrian access to and from the land based upon a legal right	⊘	✓
You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the land	⊘*	✓
Your existing improvements, including lawns, shrubbery or trees, are damaged because of future exercise of right to use the surface of the land for the extraction or development of minerals, water or any other substance	⊘	✓
You cannot use the land because use as a single-family residence violates an existing zoning law or zoning regulation	⊘*	✓
A taxing authority assesses supplemental real estate taxes not previously assessed against the land for any period before the policy date because of construction or a change of ownership or use that occurred before the policy date	⊘	✓
You are unable to obtain a building permit; you are required to correct or remove the violation; or someone else has a legal right to, and refuses to perform a contract to purchase the land, lease it or make a mortgage loan on it because of an existing violation of a subdivision law or regulation affecting the land	⊘*	✓
Your title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before you acquired your title	⊘*	✓
Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects your title, which is based upon race, color, religion, sex, handicap, familial status or national origin	⊘*	✓
On the anniversary of the Policy Date for first five years, the policy will automatically increase by 10 percent in value, up to a total of 150 percent of the original Policy Amount	⊘	✓
Some Covered Risks offer protections for possible post-policy ownership claims against the property	⊘	✓



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Note: Covered risks listed are occurring after the policy date. The Homeowner's Policy of Title Insurance is for use, when requested, for one-to-four-family residences only. It should not be used for vacant land or for new construction. If issued on new construction, you must independently verify the payment of all lienable construction cost and the issuance of all required occupancy certificates. A deductible and/or liability cap may apply with respect to certain of the coverages afforded in the Homeowner's Policy.

Note: All covered risks are subject to policy conditions, exclusions and exceptions

+Coverage is subject to a deductible and liability cap.

*Coverage for the item is not provided in the ALTA Owner's policy UNLESS notice of the covenant, ordinance, statute or regulation is recorded in the public land records. Available by endorsement.