

# MORTGAGE MATTERS

Financial Issues for Today's Homeowner

## WHAT IS TITLE INSURANCE AND WHY DO I NEED IT?

When purchasing a home, it is critical to know that your title to the property is free of liens or claims against the property as well as any other defect.

Normally, at the closing, the seller gives the buyer a deed, which transfers the title and guarantees the title against claims of other persons. However, prior to the closing, an attorney or title company conducts a thorough title examination of the property. A title examination looks at the legal history of the property. It researches the public records to disclose the previous owners, prior deeds, mortgages, court judgments, probate proceedings and divorces, foreclosures, tax and construction liens, and other matters that could affect title. The purpose is to make sure that the buyer is protected from anything that would interfere with their complete and total ownership.

If there were any title defects, the seller would be responsible for legal proceedings to clear these problems or defects. Some examples of defects include lost or forged deeds; a married person representing himself or herself as single; claims of undisclosed heirs; fraudulently impersonating another; incorrect legal description; and clerical error made at the courthouse.

The reason for title insurance is to secure claim to the property and protect against a hidden defect. If an owner is forced to defend their title in court (because someone else claims that he owns the title to the property), then the insurer agrees to pay the costs. The buyer pays a modest, one-time premium for title insurance. However, the protection they receive continues, even after they sell the home. The policy amount is equal to the purchase price of the property.

Lenders require title insurance in the amount of the mortgage loan, which only protects the lender. A separate, owner's policy, must be purchased to protect the owner's interest.

The owner's title insurance policy is an agreement that the insurer will pay all losses involved in any claim covered by the policy terms. If someone claims they have an interest in your property, the insurer will protect your rights and defend the title at no

expense to you. If there is a problem with your title that cannot be eliminated, the title insurance will protect you from financial loss. You will be reimbursed up to the amount of the policy, which should be the full amount of your loss.



**Joanne Zarro**

**Joanne Zarro is a licensed mortgage broker, ready to help find the appropriate financing to meet your specific real estate needs.**



**STERLING MORTGAGE SERVICES**

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## EYE ON THE FED

Although residential interest rates are near their historic lows, many people have been wondering why residential mortgage rates have not dropped as much as the short term interest rates such as the Prime Rate. Interest rates for residential financing are tied to the bond market, more specifically the ten year Treasury note rather than the Prime Rate. The rates on Treasury notes are more influenced by expectations of the future state of the US economy. Federal Reserve actions, such as lowering the discount rate, may even cause long term mortgage rates to rise if fears of inflation are present.

The important thing to remember is that the accurate forecasting of future interest rates is almost impossible and that should be kept in mind when purchasing a new home or refinancing the mortgage on an existing one. Economists are strongly suggesting that borrowers take advantage of the current interest rate environment rather than trying to forecast future interest rates.

**A LEADER IN LENDING**

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