

Title Insurance in California

When someone is considering a purchase of a property, it is important that the property has marketable title - that is, clear of any liens, judgments, defects or encumbrances. Title insurance is designed to protect property owners and mortgage lenders against losses which result from imperfections or omissions in title. Prior to the close of escrow, the title company will examine all records documenting the chain of title. They will review records from the county recorder's office and from various tax agencies so that both the owner and lender are assured that a thorough search has been made of all public records affecting the property.

In California, there are two types of title insurance policies. The CLTA (California Land Title Association) policy insures the property owner and the ALTA (American Land Title Association) is an extended coverage policy that insures the lender against possible unrecorded risks excluded in the CLTA policy. The CLTA title insurance coverage remains active until the property is sold, while the ALTA lender's policy remains in place until the loan is paid off.

The one-time title insurance premium is part of the closing costs for the loan, and like most insurance premiums, the cost is based upon the coverage amount. Payment of this premium can be a negotiable item between the buyer and the seller, but in Southern California the fee for the CLTA policy is customarily paid by the seller while in Northern California, the buyer usually pays this fee. Payment for the ALTA policy is almost always paid by the home buyer.