FEDERAL STANDARD ABSTRACT
TITLE NEWS

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WHY DO YOU NEED TITLE INSURANCE?

Title insurance is required to protect the most important investment you'll ever make—investment in real estate. A lender would minimize the risks of lending money for the purchase of real property by requiring a loan policy. The loan policy, however does not protect the borrower. To protect the purchaser of a real estate property, he/she can obtain an owner's policy. For a one-time nominal fee, this owner's policy remains in effect so long as the insured or the insured's heirs retain an interest in the property, or any obligations under a warranty in any conveyance of it.

Title insurance is highly recommended to real estate purchasers because even the most thorough search cannot absolutely assure that no title hazards are present, despite the knowledge and experience of professional title examiners. In addition, other title problems that may exist cannot be disclosed in a search. Title insurance will pay for defending against any lawsuit challenging the title as insured, and will either clear up title problems or pay the insured's losses.

<u>What title insurance protects against::</u> Some most common hidden risk that can result in loss of title or lead to an encumbrance on title are:

- False impersonation of the true owner of the property
- Forged deeds, releases or wills
- Undisclosed or missing heirs
- Instruments executed under invalid or expired power of attorney
- Mistakes in recording legal documents
- Misinterpretations of wills
- Deeds by persons of unsound mind
- Deeds by minors
- Liens for unpaid estate, inheritance, income or gift taxes
- Fraud

An example of the importance of title insurance is illustrated in the example herein. Ten years ago, Mr. Buyer bought a one-bedroom condo for $165,000.00. Two weeks after closing, he received a tax bill from the city for $5,000.00. It turned out the $5,000.00 was for the taxes owed by the condo's former owner. Lucky for Mr. Buyer, he had title insurance. He sent the bill to the title insurance company who paid the bill.

In the above case, the insurance covers any outstanding tax bills against a home as long as the new home owner (in this case, Mr. Buyer) was not aware of the bills prior to the closing of his condo. It also protects against other kinds of claims, called liens, and government land grabs, which are called easements. Furthermore, this insurance is retroactive, covering then homeowner and lender from the date of closing on a property to 40 years prior. Title insurance is like car insurance. Without title insurance, the purchaser becomes unprotected and responsible for any liens, judgments, easements and encumbrances that may be pending against the real property.

INCREASE IN MORTAGE RECORDING TAX EFFECTIVE MAY 16, 2005

The $0.05 per $100.00 increase in the mortgage recording tax rates in the City of New York and in Dutchess, Nassau, Orange, Putnam, Suffolk and Westchester counties have been signed into law and is effective on June 1, 2005.

TAX DEPARTMENT FORMS MRT/RETT TAXPAYER CONTACT CENTER

The New York State Tax Department has established new contact sources for mortgage recording tax (MRT) and real estate transfer tax (RETT) questions.

Telephone: 1-888-698-2914
Fax: 1-518-435-2918
Email: NYSMortgageandTransferTax@tax.state.ny.us

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