

TITLE INSURANCE

Glossary of Terms



When buying your first property, many people are on hand to help you understand the process. You'll receive lots of information and advice from your real estate agent, mortgage lender, friends, relatives, and title agent.

When you aren't familiar with the process, navigating the financial and legal implications of homebuying can become challenging. Questions can quickly overshadow the excitement of looking for your dream house: How do I have property lines assessed? What does a title search do? Does getting a bill of sale mean that I'm done?

One way to better prepare yourself is to learn some of the title terminology you might hear once you feel ready to purchase. Even if you aren't sure where to start, Patten Title has you covered. Understanding these essential 25 title terms will help provide some clarity as our title agents work with you to secure a clean title for your new home.

BILL OF SALE: A [bill of sale](#) is a formal, written account of a purchase, including any conditions involved in the sale. This is especially true of purchases that involve loans like a mortgage.

BUNDLE OF RIGHTS: The "[bundle of rights](#)" in the U.S. describes certain rights you have as a homeowner, from the fundamental right to own the property to the right to exclude others from it (trespassers). The specifics of these rights will vary based on local laws and circumstances, like whether you are part of an HOA.

CHAIN OF TITLE: The [chain of title](#) describes the history of property ownership. This is one of many important items that a title company will assess when performing a title search and is an integral part of assessing whether or not the current owner has the right to sell the home.

COMMUNITY PROPERTY: According to the [Texas State Law Library](#), under community property jurisdiction, "any property acquired by a couple during their marriage (with a few exceptions) is equally owned by both spouses." This means that, in Texas, a home owned by one spouse cannot be sold without the consent of the other.

DEED: Understanding the difference between a [deed](#) and a title is essential to knowing that you are secure in your purchase. A deed is a document that shows that you purchased the home, while the title is your actual, legal right to own a piece of property. While these two items are closely related, it is the title that ultimately represents rights to the home in the event that ownership is disputed.

ENCUMBRANCE: An [encumbrance](#) is simply "a claim against an asset by an entity that is not the owner," as defined by Cornell Law. Liens are one type of encumbrance.

ESCROW: You'll hear the term "escrow" a few different times during the home-buying process. It's important to understand that, at all stages, [escrow](#) is a holding account for money operated by a third party. While a property is "in escrow," the money placed in the escrow account won't be released for the full home purchase until a checklist of items has been completed. This checklist usually includes zoning, financing, home inspections, and more.

Your mortgage lender will also discuss escrow. After you've purchased your home, your monthly mortgage payments could be deposited into an escrow account. This account may be used to pay the interest and principal on your home loan, home insurance, and taxes.

FIRPTA: The [Foreign Investment in Real Property Tax Act](#) is a set of tax laws laying specific taxes that must be withheld when properties are purchased from foreign entities. These are complicated tax laws you may not encounter when buying your first home but should be aware of when you consider purchasing a property.

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HOMEOWNERS INSURANCE: Many mortgage lenders require buyers to also purchase [homeowners insurance](#) or coverage for a new property and belongings against damage. Texas law doesn't require homeowners insurance, and many different policies are available for first-time buyers. Talk to a reputable company about what you might need in your area and what is covered under your policy in case you need to file a claim.

HOA: Homeowners associations, or [HOAs](#), are legal entities that represent homeowners and properties within an association. (In Texas, they're also called "property owners' associations.") HOAs might impose specific rules and regulations designed to set and uphold standards of living and property values in a neighborhood.

[An HOA](#) may be voluntary or mandatory to join, depending on the neighborhood, and is led by a board elected by those living in the association. Joining an HOA can come with required fees. However, those funds often go right back to the neighborhood in the form of new walkways, lighting, lawn care, or neighborhood events like cookouts or fireworks celebrations.

JOINT TENANCY: [Joint tenancy](#) describes when a property is purchased by more than one person, each having an equal share. Joint tenancy is a standard option for unmarried couples or relatives looking to buy a home together. It generally includes a "right of survivorship" that passes full ownership onto the other owner if one person passes away.

LIEN: A lien, in terms of real estate, is a claim that a creditor (such as a bank or mortgage lender) can hold against your home so long as you owe them money for the loan. While there are certainly [financial considerations](#) to make for having a lien against your house, it is a normal part of taking out a mortgage on your first home.

SOLE OWNERSHIP: Sole ownership is one of the [common ways](#) that you might hold a title to your home. With sole ownership, only one person holds the title to a house.

TENANCY IN COMMON: [Tenancy in common](#) is similar to joint tenancy in that multiple people can own shares of a property. However, unlike joint tenancy, tenancy in common does not include the same inherent right to survivorship that would pass one person's share on to the other when they die. Shares of a property owned under tenancy in common can be sold or willed to a beneficiary who isn't necessarily the other tenant.

TENANTS BY ENTIRETY: With this [type of ownership](#), a married couple can own a property such that both spouses claim full ownership. This means that one part of the couple can't sell the property without permission from the other half.

TITLE: A [title](#) is a legal concept that represents ownership. You might have a title to your car, for instance, or a business or trademark. In real estate, a title represents the property's ownership. While this concept might seem simple upfront, a lot of work goes into determining who has rights to a property and under what circumstances.

TITLE COMPANY: A [title company's job](#) is to research the ownership history of the home you wish to buy to help protect you from claims related to past owners. Patten Title will perform a title search to verify the past owners' rights to the property and also help you secure title insurance to aid you if any unforeseen legal issues arise.

TITLE DISCREPANCIES: If a [discrepancy](#) in the ownership of your home is found after you've purchased your home, title insurance is intended to help defend the policyholder in court. Title discrepancies might result from issues such as fraud, will disputes, or liens held against the property by previous owners.

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(OWNER’S) TITLE INSURANCE: Owner’s title insurance is meant to protect you in the event that someone tries to make a claim against the home from before you purchased it. This type of insurance covers a [number of situations](#) related to the property, like will disputes, forgery, or liens on the property. One example provided by the [Consumer Financial Protection Bureau](#) is if a contractor did work on the house before you bought it but was never paid for the job.

(LENDER’S) TITLE INSURANCE: When it comes to protecting a title, there is separate insurance for [lenders](#) and owners. Many mortgage lenders will require you to purchase insurance for the money they are lending you, and you may choose to get an additional policy to protect yourself in the event of a title discrepancy.

TITLE AGENT: A [title agent](#) is the licensed professional you will work with at Patten Title. Throughout a title search, your title agent will assess the home’s ownership records, conduct property surveys, research necessary legal documents, and more.

TITLE SEARCH: A title search is a service offered by a [title company](#), like Patten Title, to verify the current ownership of the property and uncover its title history, such as previous ownership and known encumbrances. During the title search, your title company will also likely take steps to verify boundary lines and investigate any potential errors in previous records.

TREC: The [Texas Real Estate Commission](#) was established to “safeguard consumers in real property transactions and valuation services.” TREC is the government body you might go to if you need to file a complaint related to a real estate transaction. When purchasing a home, you should also check that your real estate broker or sales agent is licensed with the Texas Real Estate Commission. TREC offers an easy [online tool](#) to look up professionals and verify license holders.

WARRANTY: A [warranty deed](#) promises that the person or business selling the property has the right to sell it and that no one else is owed money for it.

ZONING: [Zoning laws](#) determine what can and cannot be built in particular areas. For example, residential zoning laws often limit how many buildings can be on a property and how many families can live there. Before purchasing a home, it’s a good idea to check that any significant projects you plan for the property are permitted under local zoning laws.

WHY WORK WITH A TITLE COMPANY?

Buying your first home or property can be stressful, but finding the right professionals can help. Choosing an effective title company to aid you in purchasing your first home takes the guesswork out of avoiding legal trouble in title disputes.

By instituting strategies that research the past and prepare for the future, Patten Title helps sales proceed smoothly so that once your loan is settled, all you need to worry about is moving in and enjoying the comforts of your new place.

Your title agent can help answer any questions or concerns about a property before you sign the final paperwork. However, it always helps to read up ahead of time on the process.

Taking the time to understand title terminology will help prepare you for all of the steps ahead — and by going into the home buying process informed, you can move into your home feeling confident that you have done all you can to protect yourself from costly future legal disputes.

