



## UNDERSTANDING TITLE INSURANCE

# for Commercial Real Estate

Purchasing commercial real estate is an exciting and momentous occasion that marks the start of a new business venture. That being said, it's vital that you do your due diligence and protect your investment. Doing so involves performing a comprehensive title check and then purchasing title insurance.

These efforts will provide you with peace of mind, as you'll know that you're effectively safeguarded against any prior ownership claims that might arise after closing. But even if a title issue does pop up, a policy from an experienced partner like [Patten Title Company](#) will help you navigate the process and protect your ownership rights.

### WHAT IS TITLE INSURANCE?

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First and foremost, title insurance is a type of insurance policy designed to protect you and the lender from potential losses or legal issues related to the title of a commercial property.

When you purchase a commercial property, you're essentially buying the title to the property, which gives you the right to use and occupy the space. However, the title might come with legal baggage from previous owners, such as undisclosed liens, easements, or claims of ownership, that can affect your rights to the property.

As part of the title verification process, Patten Title will conduct a thorough search of the property's ownership history before the purchase is finalized. It aims to identify any defects or issues with the title that could lead to legal disputes or financial losses in the future. If such issues are discovered, they are typically addressed and resolved before the transaction proceeds.

Once a title insurance policy is issued, it protects against any other defects that were not found during the title search or any such issues that arise in the future. The policy also includes coverage for legal defense costs, should a dispute over the title arise, and compensation for financial losses up to the amount of the policy (if the dispute is valid).

# HOW TITLE INSURANCE PROTECTS YOUR INTERESTS

Title insurance protects you from any unforeseen problems that might occur with a commercial property, even if those problems date back years. With that said, some of the most common issues you can insulate yourself from with title insurance include the following:

- Liens on a property
- Will disputes
- Possession claims
- Forgery or fraud
- Boundary or zoning disputes

Ideally, any title issues will be discovered during the title search. And in these instances, you'll be able to get the

title concerns resolved before taking ownership of the property. A skilled closing attorney can help you fix minor errors or disputes, such as zoning issues or liens for unpaid taxes, but keep in mind that problems with the title can delay closing.

In any case, the biggest value insurance provides is protection against misrepresentations of ownership. These often occur when a seller lies or otherwise exaggerates their ownership stake in the property or other important details. Lying about the square footage of a property is a common example of misrepresentation in commercial real estate transactions.

## WHAT DOES TITLE INSURANCE COVER?

A title insurance policy covers the costs of legal fees, settling liens, paying back taxes, etc. so that you don't have to pay out of pocket for these costs. Typically, your policy will come into effect when a title issue is discovered after purchase.

In a worst-case scenario, your insurer will recoup your losses for the entire purchase price. Something like that only typically occurs in [instances of fraud](#), though, such as if you purchased a property from someone claiming to be the owner when, in reality, they had no rights to the parcel.

## TYPES OF ENDORSEMENTS & POLICIES

There are two main types of title insurance policies, which are as follows:

### LENDER'S POLICY

A [lender's policy](#) protects your lender for the amount you financed. For instance, if you borrowed \$400,000 for a commercial property and ultimately have to forfeit the parcel due to a severe title issue, the insurer will reimburse the lender. A lender-only policy does not protect you or your financial interests.

### OWNER'S POLICY

An [owner's policy](#) protects you and your equity. Additionally, it gives you the peace of mind that comes from knowing that the title company will be in your corner if a covered problem arises after the transaction. Unlike other types of policies, title insurance only involves a one-time fee. As long as you have an interest in the property, the policy will protect you.

## HOW TO OBTAIN TITLE INSURANCE

Obtaining title insurance for a real estate transaction is quite simple.

First, choose a reputable title company like Patten Title. Consider factors like the company's reputation, experience, and location. Once you've chosen a title company, they will perform a detailed title search and examination of the property records. From there, you'll need to review the title insurance commitment and purchase your policy.

If you need help getting started, connect with Patten Title. Our experienced team can educate you on the process and provide you with lots of [powerful tools](#) designed to give you peace of mind.



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