

MYTH BUSTED

COMMON MYTHS

in Texas Real Estate Title Insurance

When buying or selling property in Texas, title insurance is often misunderstood. We've explained the most common myths that buyers and sellers encounter. Understanding these misconceptions can help Texas buyers and sellers make informed decisions and ensure their property rights are well protected.

1. Title Insurance Offers Minimal Protection

Many believe title insurance provides little value. In reality, it protects against a wide range of title defects—including undiscovered liens, forged signatures, recording errors, and claims by unknown heirs—that could threaten your ownership rights, even years after purchase.

2. Title Insurance is Expensive & Requires Ongoing Payments

A common misconception is that title insurance is costly and involves monthly or annual premiums. In Texas, it is a one-time fee paid at closing, based on the property's sale price, and protects you for as long as you own the property.

3. There is Only One Type of Title Insurance

Some think there's just one policy, but there are two main types:

OWNER'S POLICY: Protects the homeowner's interests.

LENDER'S POLICY: Protects the lender's investment until the mortgage is paid off.

4. Homeowner's Insurance is the Same as Title Insurance

These are entirely different. Title insurance protects against past title issues affecting ownership; homeowner's insurance covers damage or loss to the physical property from events like fire or theft.

5. Title Insurance is Unnecessary, Especially for Cash Buyers

Even if you pay cash and don't need a lender's policy, an owner's policy is still important. It protects you from unknown title defects that could result in financial loss or legal issues.

6. Buyer's Can't Choose their Title Company

Texas buyers often think they must use the title company suggested by their agent or lender. However, buyers have the right to choose their own title company, especially when federally related mortgage loans are involved.

7. Title Insurance is Not Needed if a Title Search was Done

While a thorough title search is performed, some issues (like forged documents or undisclosed heirs) may not be discovered until after closing. Title insurance covers these hidden risks.

8. Title Insurance is Only Useful at the Time of Purchase

Title insurance continues to protect you for as long as you own the property, not just at closing. Claims can arise years after the transaction.

9. All Policies Automatically Include Gap Coverage

Not all Texas title insurance policies include gap coverage by default. Buyers should verify if their policy covers the period between the title search and closing to avoid unexpected risks.



What are the most overlooked risks that title insurance in Texas actually covers?

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Overlooked Risks that are Covered by TITLE INSURANCE



Title insurance in Texas offers crucial protection against a range of risks, some of which may not surface until years after the purchase and are often missed during standard title searches. This provides property owners with peace of mind and financial security. While title insurance safeguards against various ownership threats, several important protections are commonly overlooked.

UNDISCLOSED OR MISSING HEIRS

Heirs of previous owners may surface after a transaction, claiming rights to the property. Title insurance covers legal costs and potential losses if such claims arise.

FORGERY & FRAUD IN PAST DOCUMENTS

If a prior deed, mortgage, or other document in the chain of title was forged or fraudulently executed, title insurance can protect the current owner from challenges to their ownership.

CLERICAL ERRORS & IMPROPER RECORDINGS

Mistakes in public records—such as misspelled names, incorrect legal descriptions, or improperly recorded documents—can cloud the title. Title insurance helps resolve these issues and covers related costs.

FALSE IMPERSONATION OF THE TRUE OWNER

If someone fraudulently sells a property while impersonating the rightful owner, the new buyer's title insurance policy will defend against such claims.

GAPS IN THE CHAIN OF TITLE

Breaks or omissions in the recorded history of ownership (such as missing deeds) can create uncertainty. Title insurance addresses these gaps, ensuring the owner's rights are protected.

UNPAID LIENS AND UNRECORDED DEBTS

Liens for unpaid property taxes, contractor work, or other debts that were not discovered during the title search can surface after closing. Title insurance covers these hidden financial obligations.

CONFLICTING WILLS OR PROBATE CLAIMS

Disputes over inheritance or conflicting wills can lead to challenges against the property's title. Title insurance protects owners from financial loss due to such legal battles.

DEFECTIVE ACKNOWLEDGEMENTS & NOTARIZATION

If documents in the title history were improperly notarized or acknowledged, title insurance can cover losses resulting from these technical defects.

BOUNDARY & SURVEY DISPUTES

Errors in surveys or boundary descriptions can result in disputes with neighbors over property lines. Some title policies may cover these issues, depending on endorsements.

CORPORATE OR ENTITY ISSUES

If a prior owner was a corporation or entity that failed to properly authorize a sale, title insurance can protect against resulting claims.

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