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Missouri Department of Commerce & Insurance

CONSUMER GUIDE TO TITLE INSURANCE

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TABLE OF CONTENTS

INTRODUCTION

Buying or refinancing a property is a significant financial decision that involves many steps. One critical but sometimes overlooked step is choosing title insurance. Title insurance protects property owners and/or lenders from financial losses caused by past issues, such as unpaid liens, forged documents, or claims from missing heirs that weren't discovered during a title search. This protection typically lasts for the entire time you own the property. When you buy title insurance, be sure it is from a title insurance agent or company licensed to do business in Missouri.

While some states require you to buy an owner's policy, Missouri does not. However, as the purchaser-mortgagor you will requested to sign a notice that you may purchase owner's title insurance coverage within 60 days of closing at a specified cost. Sometimes you might be offered an attorney opinion letter (AOL) instead of title insurance. The Department does NOT regulate AOL's.

This shopping tool focuses on title insurance—what it is, when it's required, why it's important, and information to help you choose the right policy.

Key Steps in the Homebuying Process

1. Prepare finances and credit

2. Secure financing pre-approval, if needed

3. Find a real estate professional

4. Identify the right property

5. Make an offer

6. Sign the purchase agreement and get an inspection

7. Determine your insurance coverage needs

8. Close and enjoy your new home

What is Title Insurance and What Does it Cover?

A deed is a legal document that conveys the legal ownership of a property.

Title insurance is an insurance policy that covers past title problems that come up after you buy or refinance a property.

Lost, forged, or incorrectly filed deeds, property access issues, and liens on a property are just a few of the title problems that could come up after you buy or refinance a property.

For example, if you get a letter telling you there is an unpaid mortgage on a home you just bought, you could submit a claim to your title insurance company. The title insurance company would cover the legal costs and other expenses to investigate, defend against the claim to the title, and settle the dispute and/or resolve the issue.

Without title insurance, you might have to pay all of the legal costs to settle the dispute. And if you lose the dispute, you could lose money, the equity you have in your home, and possibly your home.

What Are the Two Main Types of Title Insurance?

There are two main types of title insurance policies:

1. An Owner's Title Insurance Policy

An owner's policy protects you for the full price you paid for the property, plus legal costs if a past covered title problem comes up after you buy your property. The coverage in an owner's policy is often for the amount you paid to buy your property. The policy will cover you as long as you have a legal right to own the property. The buyer most often pays the premiums for an owner's policy.

If you aren't required to buy an owner's policy, you may want to anyway, so you don't risk losing the money you've paid for your property if there's a problem with the title.

An enhanced owner's policy, which has more coverage than a standard owner's policy, may also be available in your area. Enhanced owner's policies cost about 20% more than a standard owner's policy, but they cover extra risks. An enhanced owner's policy may also continue to cover you after you no longer own a property.

2. A Lender's Title Insurance Policy

If you borrow money to buy your property, your lender is likely to require you to buy a lender's policy. A lender's policy only protects the lender if a title problem comes up after you buy the property.

The coverage in a lender's policy is for the amount of the mortgage and goes down as you pay down your loan. Unlike an owner's policy, the lender's policy ends when you pay off your mortgage. You may have to pay the premium for a lender's policy.

What Doesn't Title Insurance Cover?

Title insurance policies do not cover ownership issues that come about after you've bought a property. For example, if your neighbor builds a fence on your property line or a contractor files a lien after you've bought your property, your title insurance policy will not cover the costs to settle the dispute.

Also, your title insurance policy might not cover certain existing issues with the property. For instance, the property may have an ongoing boundary dispute or an undisclosed easement (for example, someone else has the legal right to use part of your property, like a driveway or utility line, for a specific purpose). Your title insurance typically will not cover the costs of resolving these types of issues.

A title insurance policy primarily covers past title defects, such as forged documents and improperly filed titles, but does not address issues that come up after the closing.

Ask for a list of what will and won't be covered and ask questions to be sure you understand the differences.

What Should I Know About Choosing a Title Company and Buying Title Insurance: Rights, Costs, and Referrals?

You have the right to shop for and choose who provides your title insurance and conducts the closing!

When you buy a property, two important steps are choosing the right title company and understanding your title insurance. Both are important to protect your investment and make sure your closing goes smoothly. Before, or more likely, at the time you make an offer to buy a property, you'll be asked to name a licensed title company, agent/producer, or attorney to handle your real estate closing. The closing is also known as a settlement.

The licensed professional you choose will be responsible for several crucial steps in the process to buy a property, including buying title insurance. At all times during the process, you have the right to choose the title company for your transaction. At no point should you be pressured, coerced, or required to sign an agreement with a company you didn't choose.

Affiliated Business Arrangements in the Law

The Federal Real Estate Settlement Procedures Act (RESPA) defines and regulates affiliated business arrangements (ABAs). This law requires a written disclosure that names a specific title company and explains that the agent has a financial interest and will make money if you use this title company. RESPA prohibits kickbacks and referral fees for parties involved in real estate settlements.

For more information, access the full text **here.**

Who Sells Title Insurance and Who Pays for It?

You can start to research title insurance when you begin your search for a property to buy. Only licensed companies, agencies, or agents are allowed to sell title insurance policies. You can ask friends,family, or your real estate agent for advice to help you with your choice. Online reviews may also be helpful.

Who pays for title insurance depends on local rules and traditions, but buyers and sellers can also negotiate this. Often, the seller pays for the owner's policy, and the buyer pays for the lender's policy.

Ask your real estate agent who usually pays for title insurance in your area.

You pay for title insurance once—at closing. If you're refinancing, you, as the property owner,must buy and pay for the new lender's title insurance policy. Generally, you won't need a new owner's policy when you refinance if you bought one when you bought the property.

Be Aware

Your agent or broker may have an affiliated business arrangement (ABA) with the title insurance agent or company they recommended.

There may be a financial arrangement in place that gives the agent an incentive to make this recommendation.

If there's an affiliated arrangement, the agent must tell the buyer in a written notice before the closing.

Often, the title company is pre-selected, and the name is pre-filled on the offer paperwork. The disclosure is a separate document.

The established relationship in an ABA could mean a smoother transaction and more coordinated services. But it also could mean higher costs, a conflict of interest, and poorer service if the focus is on financial gain. You are never required to use a company that has an affiliated business relationship.

Revised Statutes of Missouri, RSMo Section 381.029

Whenever the business to be written constitutes affiliated business, prior to commencing the transaction, the title insurer, title agency, or title agent shall ensure that its customer has been provided with disclosure of the existence of the affiliated business arrangement and a written estimate of the charge or range of charges generally made for the title services provided by the title insurer, title agency, or agent.

For more information, access the full text **here.**

What Does a Title Insurance Policy Cost?

The title insurance policy premium is typically tied to the market value of the property.

If you're buying an owner's policy, the purchase price of your property determines the cost of your policy.

If you're buying a lender's policy, the price of title insurance depends on your loan amount.

When you buy title insurance, ask if you're eligible for any discounts. If there was a previous title policy on the property (because the property changed owners or you're refinancing), you may be eligible for a discount known as a "reissue rate."

If you buy both an owner's and a lender's policy from the same company, you may get a simultaneous issue discount.

How Do I Choose a Title Insurance Company?

Regardless of who refers you to a title insurance company, it's essential to compare the estimated costs and fees and to ask questions. While the cost of a title policy is fixed based on the purchase price of the property, fees and some costs can vary widely between title companies.

The cost comparison chart on page 17 lists several costs and fees. Ask for an estimate of these fees and costs based on the expected purchase price of the property. You may be able to negotiate some of them. If you don't understand what a fee or cost is, ask questions. Do not accept statements like:

"Everyone charges the same price."

"We'll give you a discount on something else if you use our title agent."

"If you choose another title agent, your purchase may be delayed."

A title company should be willing and able to answer all your questions before you make a decision. Even if the process feels rushed, federal law gives you the right to receive and review a closing disclosure at least three business days before closing.

Shopping around and asking questions allows you to make an informed decision, find a company you feel confident in, and potentially save you money.

How Does Title Insurance Fit Into the Closing Process?

What Happens at Closing?

The closing is the final step to buy or refinance a property. The closing can be in person, remote, or by mail. An in-person closing usually takes an hour or two. Several individuals may attend, including the buyer, seller, real estate agents, attorneys, title agents, and lenders. If you can't be there in person or remotely, you can appoint someone to sign documents on your behalf. A legal document to appoint someone to act in your stead is required, such as a specific power of attorney. A legal document to appoint someone to act in your stead is required, such as a specific power of attorney.

A closing agent is responsible for managing the closing and coordinating the steps to finalize the transaction. Closing agents can be title agents or attorneys. After the seller accepts your offer or the lender approves your refinancing, you'll work together to choose a closing date. On that day, you and the seller must settle any outstanding debts and sign the necessary legal paperwork to finalize the transaction.

You pay the title insurance premium only once—at closing.

Remember that your policy protects you and your heirs with a legal right to the property from title issues *for as long as you own it.*

What Documents Will I See at Closing?

The closing disclosure is an important document.

The disclosure details all payments required to complete the transaction, including title insurance premiums and closing protection letter premiums/fees.

Federal law lets you review your closing disclosure at least three business days before closing.

Reviewing the disclosure as soon as possible gives you more time to ask questions and avoid delays in your closing date.

You'll sign many documents at closing. Be sure you understand what you're signing.

After closing, you'll receive copies of all signed documents. The figure below illustrates what you can expect during the closing process.

What Steps to Expect in a Real Estate Transaction

Sign Contract and Provide Earnest Money	You will sign the purchase contract and provide an earnest money deposit to show you are serious about buying the property.
Title Search Completed	The title agent or title company will review the property's history to check for issues like liens, disputes, or outstanding mortgages. You'll be notified if anything needs to be resolved before closing.
Receive Title Insurance Commitment	You'll get a report from your title agent or title company outlining the title insurance premium, requirements, and any exceptions (such as easements).
Review Closing Disclosure	If you are borrowing money to buy real estate, you will receive your Closing Disclosure at least three days before closing, outlining how the funds will be disbursed and the mortgage terms. Review this carefully and ask questions if anything is unclear.
Attend Closing	On closing day, you'll sign all required documents, pay any remaining costs, and the funds will be distributed (such as paying off liens, disbursing proceeds, paying premiums, etc.).
Documents Recorded	After closing, the closing agent or title company files paperwork with the county where the property is located to update public records with your ownership and lender information. This isn't always done correctly, and mistakes can happen, so you should always follow up with the county to confirm.
Receive Your Title Policy and Deed	You'll receive your owner's title policy and the recorded deed as proof of ownership. The lender will receive a lender's title policy. (You should keep your title policy as proof of title insurance.)

What Is a Closing Protection Letter?

Title insurance doesn't protect the lender or buyer against mistakes made during the closing, or if money is stolen or paid to the wrong parties. In all residential transactions, Missouri statutes require that a closing protection letter be issued to the seller, the buyer and the lender, to protect consumers against mistakes made during the closing. A fee is charged to the seller and the buyer for the issuance of the closing protection letter, at a rate filed with the department, by the title insurance company.

Be sure to request a copy of the closing protection letter for your records. In some cases, the lender may require a closing protection letter.

If you buy a closing protection letter, the title insurance company will reimburse you for any money you lose from negligence, fraud, theft of funds, or errors the closing agent made. Without this protection, you'd have to sue the agent to get back any money lost.

What's the Difference Between Title Insurance and Homeowners Insurance?

Title insurance is different from homeowners insurance (sometimes called hazard insurance).

Title insurance protects you against past title problems. Homeowners insurance protects you against future issues that cause damage to your home or personal property. Homeowners insurance also limits your personal legal responsibility (or liability) if someone is injured while they are on your property.

Licensed title insurance agents and companies sell title insurance. Insurance agents licensed to sell property/casualty insurance sell homeowners insurance.

You pay for title insurance just once when you buy or refinance your property. For homeowners insurance, you make your first payment at closing and then keep paying regularly (such as every month or year) to keep your coverage active.

Homeowners insurance needs to be renewed each year, and a premium is paid at each renewal.

Homeowners insurance does not protect your ownership of the property and does not replace the need for title insurance. The table below summarizes the differences between title insurance and homeowners insurance. Remember to always review your insurance policy for terms and conditions regarding your coverage.

Features	Title Insurance*	Homeowners Insurance*
Protection	Covers defects in the property's legal history or title.	Covers physical damage to the home and personal property from future events, as well as liability risks.
Timeline	Covers specified past and existing issues with a property.	Covers future damage and liability.
Common Issues Covered	Prior liens, errors in public records or past deeds, heirs and claims, and forged documents.	Damage from fires and storms, theft and vandalism, personal liability, and additional living expenses.
Payment	One-time premium paid at closing.	Recurring monthly or annual premium payments.
Policy Duration	Lasts as long as you or your heirs own the property.	Lasts for the policy term and must be renewed.
*Always review your policy for terms and conditions.		

For more information about homeowners insurance, refer to the NAIC's **A Consumer's Guide to Home Insurance** and the NAIC's **A Shopping Tool for Homeowners Insurance**.

How Can I Protect Myself From Real Estate Fraud?

Scammers often target real estate transactions. They use fake documents, hacked emails, and even artificial intelligence (AI) technology to steal money or property. While title insurance protects against past ownership issues, it may not cover scams that happen during the closing process.

The good news is that there are simple steps you can take to recognize fraud and keep your transactions secure.

What Are the Most Common Types of Scams?

Seller Impersonation Fraud: Scammers use fake IDs or paperwork to pretend to own a vacant or rental property. They quickly list the property for sale and try to close the deal fast to steal the money.

Wire Transfer Fraud: Hackers break into email accounts and send fake wiring instructions that look like they came from your title company, agent, or attorney. If you send money to these accounts, it may be lost forever.

Mortgage Payoff Fraud: Criminals claim to be your lender or closing agent and trick you into wiring your mortgage payoff to the wrong place.

AI-Powered Voice Scams: Scammers use AI to mimic the voices of people you trust, convincing you to change payment or closing details.

Deed Theft: Criminals illegally transfer property ownership to themselves by forging documents, such as deeds. They then use this fake ownership to sell the property, secure loans against it, or rent it out to unaware tenants.

What Are the Signs of a Scam?

- ✓ Requests to change payment or wire instructions via email or text.
- ✓ Unwillingness to speak by phone or meet in person.
- ✓ Pressure to close quickly or remotely.
- ✓ Properties priced well below market value or in poor condition.
- ✓ Closings scheduled for weekends or holidays.

How Can I Stay Safe?

- ✓ **Get a verified contact list:** Collect phone numbers and email addresses for all closing professionals from trusted sources.
- ✓ **Use secure platforms:** Choose title insurance companies that offer fraud prevention tools.
- ✓ **Review documents carefully:** Read your title commitment and closing disclosure in advance. Watch for unusual terms or instructions.
- ✓ **Double-check wire transfers:** Before and after sending money, speak directly with your title insurance or closing agent to confirm that it was received.
- ✓ **Verify all changes:** If you're asked to update any part of the closing process, call your contacts using known numbers to confirm.
- ✓ **Stay vigilant after closing:** Monitor your property for ongoing changes to your deed and title. You can use public land records or pay for a title monitoring service.

What Should I Do if I Suspect Fraud?

✓ Contact your bank immediately to attempt a wire recall.

✓ Notify your title insurance company and all parties involved in the transaction.

✓ Alert your credit bureau.

✓ Call your local Federal Bureau of Investigation (FBI) office and report the crime.

✓ File a report with the FBI's Internet Crime Complaint Center: **www.ic3.gov**.

How Do I File a Title Insurance Claim?

If there is an issue about your property's title, contact your title insurance company as soon as possible. If you don't know the name of your title insurance company, check the paperwork you signed when you bought or refinanced your property.

You can contact your title insurance agent or closing company for help. They will look into the issue and help determine if a valid claim exists. If there is one, they will explain the process to resolve the issue.

Other Resources

To verify that professionals who will help you with your real estate transaction are licensed, please contact:

Real Estate Agent:

Bank/Mortgage Lender:

Real Estate Appraiser:

Insurance Agent:

Insurance Company:

Title Agent:

Title Insurance Company:

Attorney:

To find other useful information about the home buying process, please contact:

U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410
202-708-1112
www.hud.gov

Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, IA 52244
855-411-2372
855-237-2392 (Fax)
www.consumerfinance.gov

National Flood Insurance Program
500 C Street SW
Washington, DC 20472
800-621-FEMA
www.floodsmart.gov

FBI Internet Crime Complaint Center
www.ic3.gov

FTC Identity Theft Help
www.identitytheft.gov

Title Insurance Shopping Toolkit

These pages are designed to be a practical toolkit. You're encouraged to download or print and use these materials during your decision-making process. Have the downloaded toolkit or a printed copy with you during meetings with title insurance agents, real estate agents, or when you review documents. Each section offers key questions to protect your interests.

When you shop for title insurance, be sure to ask the title insurance agent or company the following questions:

- ✓ How long have you been licensed to sell title insurance in Missouri?
- ✓ What title insurance companies' policies do you sell?
- ✓ Are title insurance premiums regulated in Missouri?
- ✓ Are any discounts available?
- ✓ Are you related or affiliated in any way with my real estate agent, mortgage lender, builder, or attorney?
- ✓ Will anyone be paid a referral fee or commission, or be compensated if I buy title insurance from you or a company you represent?
- ✓ In addition to title insurance premiums, what other fees and charges will I pay?
- ✓ What policy endorsements are available?
- ✓ Do you charge a cancellation fee if I don't buy title insurance from you after you do a title search?
- ✓ Will I need to pay for a survey (a professional drawing of the property's boundaries and property location) before you can sell me title insurance?

When choosing a closing agent, be sure to ask the following questions:

- ✓ Can you give me a list of all the fees and charges I would pay if you were my closing agent?
- ✓ What fees and charges are negotiable?
- ✓ Are your closing staff licensed title insurance agents?
- ✓ How and when do you conduct closings?
- ✓ Who will handle my closing?
- ✓ When will you give me a copy of the closing document?
- ✓ Do you have references or testimonials from former clients?
- ✓ Do you offer closing protection coverage?
- ✓ How much does closing protection cost?

Shop Around for Title Insurance and Closing Services

You should shop for title insurance and closing services, as premiums and fees can vary. Use the chart below to see how much you'll be charged for specific premiums, fees, and services.

Cost Comparison Chart

These pages are designed to be a practical toolkit. You're encouraged to download or print and use these materials during your decision-making process. Have the downloaded toolkit or a printed copy with you during meetings with title insurance agents, real estate agents, or when you review documents. Each section offers key questions to protect your interests.

Title Insurance	Company Name	Company Name	Company Name
Premium Price (Lender's Title Policy)	$	$	$
Premium Price (Owner's Title Policy)	$	$	$
Endorsement Price	$	$	$
Title Search Fee	$	$	$
Closing Protection Letter	$	$	$
Deed Preparation Fee	$	$	$
Other ______	$	$	$
Other ______	$	$	$
TOTAL:	$	$	$

Closing Costs	Company Name	Company Name	Company Name
Government Recording Charge	$	$	$
Tax & Other Certifications	$	$	$
Overnight Mail	$	$	$
Wire Fee	$	$	$
Transfer Tax	$	$	$
Notary Fee	$	$	$
Settlement Fee	$	$	$
Document Preparation Fee	$	$	$
Email/Electronic Doc Fee	$	$	$
Other ______	$	$	$
Other ______	$	$	$
TOTAL:	$	$	$

Glossary of Terms and Definitions

Affiliated Business Arrangement: An arrangement in which a person who can refer business, such as a real estate agent, has an ownership interest in a settlement service provider (e.g., title insurance, mortgage company) and refers business to them.

Attorney Opinion Letter: A legal opinion from an attorney on a property's title status.

Closing: The process of completing a real estate transaction during which deeds, mortgages, leases, and other required instruments are signed and/or delivered, parties settle and balance their accounts, and money is paid. Closing can also be referred to as a settlement.

Closing protection letters: A document issued by a title insurance company. The letter protects a lender if a title insurance company's agent or attorney fails to follow closing instructions or steals funds.

Commitment: The preliminary report or binder that the title insurance company creates before it issues a title insurance policy. The commitment includes the policy's terms, conditions, and exceptions.

Deed: A legal document that conveys legal ownership.

Defect: A problem or missing information related to the title that affects your ownership rights to the property.

Earnest money deposit: A good-faith payment from the potential buyer to show serious intent to buy the property.

Exception: Specific items or issues listed in a title insurance policy that the insurance doesn't cover.

Insurance: A contract where you pay for financial protection against specific risks.

Lien: A legal claim on a property for money owed to a creditor or lienholder. Property with a lien usually cannot be sold.

Lender's policy: Protects the lender against problems with the title for as long as they have an interest in the property (typically until the mortgage is paid off).

Owner's policy: Protects the owner against problems with the title for as long as they have an interest in the property. Covers the full purchase price of the property and legal costs if a past title issue comes up.

Policy: A written legal agreement (i.e., contract) between an insurance company and the owner of the policy (i.e., policyholder) that provides financial coverage for specific losses in return for fees (i.e., premium payments).

Premium rates: Price for a unit of insurance.

Real Estate Settlement Procedures Act (RESPA): A federal law that offers guidance for certain real estate settlement procedures. For more information about RESPA, visit: **https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/realestate-settlement-procedures-act/**

Recording: Officially entering a real estate or property transaction document into the public record.

Simultaneous issue: When an owner's and lender's title insurance policies are issued at the same time. The premium could be lower if policies are issued at the same time.

Title: A legal right to own, possess, use, control, enjoy, and dispose of real estate or a right or interest therein.

Title agent: A person licensed to issue title insurance. This person reviews property histories, determines if the property can be insured, and issues title insurance reports or policies. They also handle money, such as premiums or escrow funds, manage escrow accounts and closings, negotiate title insurance deals, and take care of closing paperwork.

Title insurance: A contract that provides financial protection for past title problems that come up after you buy or refinance a property.

Title insurance report: A preliminary report, statement, or agreement issued before a title insurance policy that outlines the terms, conditions, exceptions, and other relevant details the title insurer is willing to accept for issuing the policy.

Title insurer: An insurance company that underwrites and provides title insurance policies to protect against financial loss due to issues with a property's title.

Title Report: The results of the title examination. These results include what, if anything, needs to be fixed to make sure the property can be sold without problems. Note that a title report does not say whether a property can be sold or insured.

Title search and examination: The process of reviewing recorded documents about a property to see if the seller has the legal right to sell it and whether there are any problems, like debts or legal claims, that could affect the sale.

For questions about your insurance policy or to file a complaint against an insurance company or agent:

INSURANCE

CONSUMER HOTLINE

800-726-7390

insurance.mo.gov

Missouri Department of Commerce & Insurance

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