

Title Insurance on a Refinance

Mortgage interest rates rise and fall over time based on a variety of economic factors. If interest rates drop below your current rate, you might consider refinancing your mortgage for substantial savings on your loan costs and monthly payments. Those who purchased lender's title insurance policies when they bought their home are often confused why the lender requires a new title policy when they refinance. Why is title insurance on a refinance so important?

One of the lender's top priorities when giving any type of home loan is making sure the loan is protected against risks. The lender generally requires the purchase of a new lender's title policy as reassurance that it is protected against any title related defects. The only way for a lender to effectively protect itself is by requiring you to purchase a new lender's title policy each time you purchase or refinance your home.



What is title insurance?

Title insurance is a product that people can purchase to protect their interest in real property. Your lender will require you to purchase a new lender's title insurance policy whenever a new loan is given to protect the lender's security interest in the property. This loan policy protects the lender's interest until the loan is paid off and released.

Why is title insurance necessary during refinance?

By paying title insurance on a refinance you are:

- **Protecting the lender's interest on your property.**
- **Protecting the lender against defects or fraud related to your title.**

Do you have to pay title insurance on a refinance?

Yes, it is required to purchase a new lender's title insurance policy on a refinance. This new policy will protect the lender's new loan. However, if money is a concern, some title companies may offer discounts on a new policy or a short-term rate option. You may also be able to save some money by refinancing your loan with the same lender you used when you purchased your home.

What happens to the title insurance I paid for when I purchased my home?

You probably bought two different types of title insurance when you first purchased your home: a homeowner's title insurance policy and a lender's title insurance policy. The homeowner's policy you purchased protects your interest in the property for as long as you or your heirs own the property. The lender's policy protects the lender for as long as they have a loan on the property. When you refinance or take out a new loan, the lender will require a new lender's policy to protect the new security interest they will have on the property.

When does a loan's "life" end?

The life of a loan ends whenever the amount due under the terms of the loan has been paid off in full. A lender's title policy remains in effect until the end of the life of the loan. Therefore, since refinancing involves paying off your old loan in full and getting a brand new loan, the lender will require a new title insurance policy.

Can you pay off a refinance loan early?

You can usually pay your mortgage off early without a penalty, but before you do:

- **Contact your loan servicer**
- **Ask if your mortgage has a prepayment penalty**

If there is a penalty for paying your loan early, you'll have to pay an additional fee on the amount still owed on the loan.