

Who Pays for Title Insurance in Texas? Your Essential Guide



Buying a home comes with a slew of expenses, and one of the key ones is title insurance. This might sound a bit confusing, but don't worry—we're here to break it down for you. Title insurance is a critical part of closing costs that protects both homebuyers and lenders from potential issues with the property's title. Let's dive into how it works and who typically pays for it in Texas.

What is Title Insurance?



Title insurance protects against problems that might crop up with your property's title, which is essentially the legal right to own your home. These problems can include:

- Disputes over property boundaries
- Unauthorized improvements that encroach on a neighbor's land
- Mistakes in public records or documents
- Undisclosed liens or claims from previous owners

This insurance ensures that you and your lender are protected from any nasty surprises that could affect your ownership rights.

How Does Title Insurance Work?

When you buy a home, the title insurance company conducts a thorough search of public records to identify any issues with the property's title. They look for things like unpaid debts, mechanics' liens, or other encumbrances tied to the property. If they find any problems, they'll work to resolve them before you close on the house.

But even the most diligent searches can miss something, and that's where your title insurance comes in. It provides a safety net, protecting you from financial loss if an issue pops up after you've purchased your home.

Who Pays for Title Insurance in Texas?

In Texas, it's customary for the seller to cover the cost of the owner's title insurance policy, while the buyer pays for the lender's policy. However, this isn't set in stone. The costs are negotiable and can vary based on the agreement between the buyer and seller. For new construction homes, buyers often end up paying for both policies.

Types of Title Insurance Policies

Lender's Title Insurance

- Required for most mortgages
- Protects the lender until the loan is fully paid or refinanced

Owner's Title Insurance

- Usually paid for by the seller
- Optional but highly recommended for buyers



- Covers the home's purchase price and lasts as long as you or your heirs own the property

How Much Does Title Insurance Cost in Texas?

The cost of title insurance in Texas is regulated and depends on the property's sale price. Generally, you can expect to pay between 0.6% and 0.9% of the property's value. For example:

- On a \$100,000 property, the title insurance might cost around \$832
- For a \$200,000 property, it could be about \$1,359
- A \$400,000 home might see costs near \$2,413

Additional Closing Costs

Title insurance is just one piece of the puzzle. You'll also encounter other closing costs, which can add up to 3% to 5% of your home's price. These include:

- Fees for credit reports
- Loan origination charges
- Discount points for lower interest rates
- Home appraisals
- Property surveys
- Fees for insurance and title searches
- Escrow deposits
- City recording fees
- Underwriting fees

Tips to Save on Title Insurance Costs

While title insurance rates are fairly standard across Texas, there are a few ways to save:

- **Bundle Policies:** Buying both the owner's and lender's policies from the same company often gets you a discount.
- **Shop Around:** Different companies might offer different rates, so it pays to compare.
- **Negotiate:** Sometimes, you can negotiate with the seller to cover the cost of title insurance as part of your closing deal.

Alternatives to Title Insurance



Title insurance is highly recommended, but there are alternatives like Attorney Opinion Letters (AOLs). These letters can be less expensive upfront but come with higher risks compared to the comprehensive protection of title insurance.

Why Title Insurance is a Smart Move

Investing in title insurance is a wise choice for safeguarding your new home in Texas. With homeowners losing significant amounts to fraud and title disputes, spending a small percentage of your home's purchase price on title insurance is a sound investment.

At HomeTown Lending, we're here to help you navigate these waters and find the best title insurance options available. For more detailed information or to calculate your title insurance costs, [give us a call](#). Protect your home and your investment with the right title insurance policy today.