



# The Title Binder

## How to save money on title insurance.

At the onset of this new decade, saving money is more important than ever. Pacific Coast Title would like to remind you that there is a way to save homebuyers money on title insurance. This is a little known product called the Title Binder.

Title binders allow purchasers of real property who plan to re-sell the same property can obtain a CLTA Standard Coverage Owners Policy of title insurance at a fraction of the cost. There is however a caveat to this, the property has to be sold while the binder is still in effect. Binders are valid for 2 years and could be extended another year.

The principle behind the binder is say you just purchased a property that you plan on selling in two years. Under these conditions, you as the purchaser can pay an additional 20 percent of the CLTA Standard Coverage Owners rate on title insurance cost at the time of the purchase to secure the binder. Keep in mind, the seller customarily pays the basic policy fee.

Once you have the binder and sell the property within two years, you merely pay the difference between the initial cost of title premium and the premium under the contract price when you sell the property.

### Example:

Mr. Seller sells his property for \$80,000. Ms. Broker knows this is a short term investment for her buyer, so she requests a binder before the close of escrow. The escrow closes and the title premium charges are as follows: Ms. Seller pays a CLTA Standard Coverage Owners policy fee of \$604. Ms. Buyer pays \$120.80 or 20% of the CLTA Standard Coverage Owners policy rate for the binder.

One year and 11 months later, Ms. Broker finds a buyer for the property, which is now worth \$100,000. The new owner now benefits from the binder which she purchased when she bought the property. She now pays the increased insurance amount necessary to cover the increased price of the property (\$100,000 less \$80,000 or \$20,000).

Using the Standard Coverage rate figures, the total cost to the seller would be:

Basic Rate on \$100,000	\$ 667
Less Rate on \$80,000	(604)
Increased Insurance Cost	63
Original Binder Cost (20%)	+ 120
Total Cost to Seller *	183

Purchasing the binder saves the seller:

Basic Rate on \$100,000	667
Total Cost of Binder	- 183
SAVINGS	\$ 484

\* Where the binder was issued for a Standard Coverage policy, but the new policy is Extended Coverage, add 25% of Basic Insurance Rate based upon the property type and policy liability amount.

The binder may be reissued to reflect an interim transfer of title prior to the ultimate resale for an additional charge of 25% of Basic Insurance Rate based upon property type and the binder amount.

As mentioned previously, the binder is good for two years. At the end of the two years, if you keep the property, a policy of title insurance is automatically issued to you. However, the binder may be extended at an additional year for 10% of the Standard Coverage Owners rate.

The next time you or your client plan to purchase a property, ask yourself "how long do you intend to keep this property?" If the answer is less than two years, keep the binder in mind, it just may be the ticket which results in substantial savings. Consult your title representative for more details.



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