

# The **INTERIM BINDER**

## *The Key to Substantial Title Insurance Savings*



***Investors who plan to “turn over” their properties within a short period of time should consider the interim binder to save on title insurance premiums.***

The interim binder is not, in itself, a policy of title insurance. When issued, however, it binds the insurer to issue a policy of title insurance within two years. The fee is a mere 10% of the basic policy fee to the requesting party.

When the deed of the final purchaser is recorded, the binder is exercised and a policy of title insurance is issued to the final purchaser. The only additional fee at the time would be an additional liability charge based upon the difference between the original selling price and the selling price to the final buyer.

Let’s look at the example below, assuming that the seller is paying for the owner’s insurance in favor of the buyer in both cases.

### **Example Facts**

- Property was last insured 6 years ago.
- Mr. A sells property to Mr. B for \$450,000
- In 2 years, Mr. B sells to Mr. C for \$500,000

#### **Without A Binder**

Original Sales Price:	\$450,000.00
Homeowner’s Policy Rate:	\$1,497.00
Resale Within 2 Years:	\$500,000.00
Homeowner’s Policy Rate for new sale price of \$500,000:	\$1,591.00

**Mr. B pays \$1,591.00 to resell property**

#### **With A Binder**

Original Sales Price:	\$450,000.00
Basic Title Rate:	\$1,361.00
Buyer Pays Additional 10%	\$136.10
Resale Within 2 Years:	\$500,000.00
Homeowner’s Policy Rate:	\$1,591.00
Less the Original Rate:	\$1,361.00
Binder Rate on Conversion:	\$230.00

**Mr. B pays \$366.10 to resell property  
( $\$136.10 + \$230.00$ )**



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(CONTINUED FROM REVERSE SIDE)

### **Frequently Asked Questions:**

**Q. May I extend my binder for a period longer than 2 years?**

**A.** Yes, if you inform us, prior to the time it expires. Call your Lawyers Title Representative for details.

**Q. Can the binder be used by only by investors?**

**A.** No. Suppose you have a client who may be transferring out of the area within three or four years. The binder could save your client a significant amount of money at the time of sale.

**Q. What if I suffer a title claim during the binder period?**

**A.** In the unlikely event that there is a claim, the binder would be surrendered and converted to a policy and handled like any other policy claim.

**Q. May I use my binder for future issuance of a policy of title insurance to a lender should I decide to refinance rather than sell?**

**A.** There is a method to exercise the binder at the time of refinance which could save you hundreds of dollars. Call your Lawyers Title Representative for an explanation.

**Q. May I use the binder on any type of property?**

**A.** Generally speaking, yes. For example, suppose you purchase a piece of vacant land and subsequently develop it. You could purchase a binder at the time of acquisition and exercise it once construction is completed and you sell it.

**Q. What if my property resells for the same or less than the original price?**

**A.** There would be no additional title insurance cost at the time of sale.

