UNDERSTANDING

PRELIMINARY TITLE REPORTS

Finding your dream home is a big deal. But once the excitement settles, it's worth asking: is the property truly *free and clear*? Hidden liens or legal restrictions left behind by previous owners can complicate ownership in ways that aren't always obvious at first glance.

The Preliminary Title Report provides you with the opportunity, prior to purchase, to review matters affecting the property that may be excluded from coverage under your title insurance policy unless removed or eliminated before closing.

To help you better understand this often complex subject, the information below answers some of the most commonly asked questions about Preliminary Title Reports.

What Is a Preliminary Title Report?

A Preliminary Title Report (Prelim) is a report prepared by the title company prior to closing that shows the ownership of a specific parcel of real property, together with liens, encumbrances, easements, and other matters of public record that will not be covered under a subsequent title insurance policy unless removed or eliminated prior to close of escrow.

What Role Does a Preliminary Title Report Play?

The Preliminary Title Report provides the Buyer with an opportunity to review matters affecting title before purchasing the property. The report allows the parties to identify and resolve potential title issues prior to closing. Buyers are encouraged to review the Prelim carefully with their real estate agent and professional advisors.

When and How Is the Report Produced?

Shortly after escrow is opened, an order will be placed with the title company which will then begin the process involved in producing the report. This process calls for the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. Examples include a deed of trust recorded against the property or a lien recorded against the buyer or seller for an unpaid court award or unpaid taxes.

These recorded matters are listed numerically as “exceptions” in the Preliminary Title Report. They will remain exceptions from title insurance coverage unless eliminated or released prior to the transfer of title.

Important Facts About a Preliminary Title Report

- A Preliminary Title Report is not a representation as to the condition of title.
- A Preliminary Title Report is not title insurance.
- It is an offer to issue a title insurance policy subject to stated conditions.
- Items listed as exceptions will remain excluded from coverage unless removed or addressed prior to closing.

Statement of Information

In order to prepare the Preliminary Title Report, the title company requires a Statement of Information (SI) from the Buyer, Seller, and sometimes the Lender.

The Statement of Information should be provided promptly after acceptance of the offer, as required by the current California Residential Purchase Agreement (CAR RPA), to assist in accurately identifying matters of record and avoiding delays in escrow.

What Should You Look for When Reviewing Your Prelim?

- Is your vesting correct?
- Is the legal description of the property accurate?
- Are there any recorded liens or deeds of trust which need to be satisfied prior to closing?
- Are there any easements, CC&Rs or other land use restrictions needing to be addressed?

Need More Information?

Contact your Title Representative or Title Officer — they're here to help you understand your Preliminary Title Report and guide you through the process.

CORNERSTONE TITLE