

What Is Title Insurance and Why Do Buyers and Sellers Need It, Anyway?

In a real estate transaction, the seller's biggest single expense after brokers' commissions is typically the title insurance policy — a little understood cost of selling real estate. What does it cover, and why is it required?

REAL ESTATE TODAY



By JIM SMITH, Realtor®

While most insurance protects you from **future** risks, title insurance protects you from **past** risks. Title insurance guarantees that you get title to property free and clear of any liens or claims of ownership. Since we consider this the responsibility of the seller, that is who pays for the title insurance, although

I understand that in some states it is common for buyers to pay for it.

Another difference between title insurance and other types of insurance is that the premium is paid only once for lifetime coverage.

Although it's unusual for a claim to be made on a title policy, it does happen. For example, I once had to file a claim regarding a building I purchased in 1991. A year after closing, I received a "lis pendens" (suit pending) notice from a Texas lawyer. I simply forwarded it to Land Title, which had issued the title insurance policy, and they settled the matter at no expense or inconvenience to me.

Unless it's a cash transaction, there is a "piggy-

back" policy issued to protect the mortgage lender. This policy is for the amount of the loan, versus the owner's policy that protects the buyer up to the full purchase price. Such policies cost less because they require no additional work by the title company, and are typically issued at the buyer's expense.

There are two kinds of title companies. There are direct underwriters, such as Fidelity National Title or Stewart Title, while other title companies serve as agents for those larger companies. Since the policies are underwritten by those big national companies, you're not really at risk by using an agent company. However, you could have a problem if the agent company holding part or all of your down payment goes out of business prior to closing. Those funds are supposed to be segregated in escrow accounts, but when commingling or misuse

of funds occurs — as it has in the past — it can be a big deal.

Since Colorado has a somewhat antiquated regulatory environment in this arena; it is recommended that buyers and sellers obtain a "Closing Protection Letter" (which typically costs \$25) to better protect their monies throughout a real estate closing.

All title insurance rates and closing settlement fees are regulated by the Division of Insurance. However, these filed rates and fees can still vary substantially, because of various discount programs offered by each company. The cost of title policies can vary by \$100 to over \$1,500, depending on the transaction; and the fee for conducting a closing can range from \$100 to \$750. Because of these variations, I recommend that sellers visit www.CompareTitleCompanies.com before selecting their title company.

Just Listed: Solar-Powered Candlelight Valley Home



\$840,000

Candlelight Valley is a high-end subdivision located in southwest Arvada, bordered by Indiana Street and 52nd Avenue and by the Van Bibber Open Space Park on the south. A trailhead to that park is just a couple blocks from this home at **5674 Fig Way**. Built in 1999, this 4-bedroom, 4-bath home has a finished walk-out basement and sits on one of the neighborhood's larger lots — over 1/3 acre. Everything about this home is top shelf — from the gourmet kitchen with marble floor, slab granite countertops and GE Monogram built-in refrigerator-freezer. The walk-out basement can serve as a mother-in-law apartment with its own kitchen. The expansive deck and covered patio with included hot tub provide additional entertainment possibilities. The little details are equally impressive, from the dark wood fireplace mantle to the temperature-controlled wine cellar and the wainscoting in the billiards room. Even if you're just window-shopping, visit this home's website at www.CandlelightValleyHome.info to be inspired by the magazine-quality interior photographs and the narrated video tour with drone footage. I'll be holding it **open this Saturday, May 26th, 11 a.m. to 2 p.m.**

Daniels Gardens Fixer-Upper or Development Site

Daniels Gardens is a transitional neighborhood featuring a mix of early 20th century bungalows and more recent construction/architecture. This home, at **1190 Vivian Street**, and the recently-constructed modern duplex next door are a good example of that transition. Although this 2-bedroom, 1-bathroom home with a full basement is livable as is — the sellers have been here for over 30 years — the 0.3 acre parcel certainly makes it a candidate for new construction. With this in mind, other than replacing the hail-damaged roof (which was finished just last week), I've advised the sellers to not make any improvements to the home prior to placing it on the market. There is no garage, but the two sturdy sheds in the fully-fenced backyard offer plenty of storage space. Interior photos, as well as a narrated tour are available at www.DanielsGardenHome.info. If you'd like to see the home, my co-listor, **Norm Kowitz**, will be holding an open house this Sunday, 11 to 2. If you can't make the open house, call Norm at **303-229-3891**



\$295,000



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Answering a Reader's Question

Q. I want to get above my listing price. If I get a full-price offer, do I have to accept it?

A. My sellers occasionally ask this question because my listing strategy involves pricing a home at or near current, real-world market value, as opposed to some hoped-for higher price. Sometimes a seller says they don't want to sell for any amount that's not above the listing price and asks if they're required to accept a full-price (or any) offer.

The answer is "no." Sellers cannot be compelled to accept an offer, irrespective of the offered price. I always explain this up front to prospective buyers (through their agent, if represented) who submit a full-price offer. The Colorado real estate contract states that if the listing agent produces an offer that matches the terms specified, the seller owes the commission to the agent. To better serve my clients' interests I insert an "additional provision" stating that they, as the seller, will not owe me a commission on any rejected offer.

At the same time, however, I point out that if the only offer(s) we receive are for full-price (or less), then we didn't underprice the home, did we?

Do you have a question you'd like answered here? Send it to Jim@GoldenRealEstate.com.