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?

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 all at once (as opposed to some hoped-for higher price. Some- times 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 provi sion” 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?

REAL ESTATE TODAY

By JIM SMITH, Realtor®

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.

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Just Listed: Solar-Powered Candlelight Valley Home

Candlelight Valley is a high-end subdivision located in southwest Arvada, bordered by Indiana Street and 52nd Avenue and by the Van Biber 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.

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