

BINDER COVERAGE

If you are planning to resell a property within a couple of years, ask your WFG title representative about “binder” coverage. WFG will sell you a binder policy for 10% more than the base rate. A binder is good for two years, often can be extended beyond that time, and the fee charged for the new buyer’s policy will be the difference between what you bought the property for and the price at which it sold. In other words, you will get a credit for the amount of coverage you purchased under your Owner’s Title policy.

A title binder, also known as an interim binder, is not a title insurance policy, but is instead a commitment to issue a title policy. The key to the title binder is asking yourself, “How long do I plan to keep this property?” The title binder is a cost saving tool for people (i.e. investors) who intend to “flip” a property, for those who are subject to frequent relocation or those who just find themselves not wishing to remain in a specific property for more than three years.

It is important to repeat, however, that an interim binder is not insurance; it is a commitment to issue an insurance policy. However, if a claim arises during the interim binder period, the person to whom the interim binder was issued may convert the interim binder to an owner’s policy of title insurance naming him as insured and tender that claim pursuant to the policy. Title binders are only for buyers, not lenders, and are issued in lieu of an Owner’s Policy.

