

Understanding Preliminary Title Reports

What is a preliminary report?

A preliminary report is a report prepared before issuing a title policy. This report shows the ownership of a specific parcel of land, together with liens and encumbrances which will not be covered under a subsequent title insurance policy.

What role does a preliminary report play in the real estate process?

The report contains the conditions under which the title company will issue a particular type of title insurance policy. It lists title defects, liens and encumbrances which would be excluded from coverage if the requested title insurance policy were to be issued as of the date of the preliminary report.

A preliminary report provides the opportunity to seek the removal of items referenced in the report which are objectionable to the buyer prior to purchase.

What should I look for when reading my preliminary report?

Pay particular attention to the extent of ownership rights. Review the ownership interest in the property you will be buying as well as any claims, restrictions or interests of other people involving the property. The most common form is "fee simple" or "fee" which is the highest type of interest an owner can have in land.

Liens, restrictions and interest of others which are being excluded from coverage will be listed numerically as "exceptions" in the preliminary report. Interests of third parties are not uncommon and may include easements given by a prior owner, which limit your use of the property. A printed list of standard exceptions and exclusions listing items not covered by your title insurance policy may be attached as an exhibit item to your report.

When and how is the preliminary report produced?

An order will be placed with the title company shortly after escrow is opened, which will then begin the process in producing the report. Processing the report entails the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. The "exceptions" will remain listed as such unless they are eliminated or released prior to the transfer of title.

Is a preliminary report the same as title insurance?

Absolutely not. A preliminary report is a statement of terms and conditions of the offer to issue a title insurance policy, not a representation as to the condition of title. No contract or liability exists until the title insurance policy is issued to a particular insured person, which prevents others from claiming the benefit of the property.

Will the preliminary report disclose the complete condition of the title to a property?

No. It is important to understand that the preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land. It only reports the current ownership and matters that the title company will exclude from coverage if a title insurance policy should later be issued.

Who can I turn to for further information regarding preliminary reports?

Your real estate agent and your attorney, should you choose to use one, will help explain the preliminary report to you. You may also contact your local **Lawyers Title** Representative.

