

PRELIMINARY REPORTS



WHAT IS A PRELIMINARY REPORT?

A Preliminary Report is a report prepared prior to issuing a policy of title insurance that shows the ownership of a specific parcel of land, together with the liens and encumbrances thereon which will not be covered under a subsequent title insurance policy.

WHAT ROLE DOES A PRELIMINARY REPORT PLAY IN THE LENDING PROCESS?

A Preliminary Report contains the conditions under which the title company will issue a particular type of title insurance policy. The Preliminary Report lists in advance of funding any 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. The report may then be reviewed and discussed by the borrower and lender. Thus, a Preliminary Report provides the opportunity to seek the removal of items referenced in the report which may be objectional to the lender making the loan.

WHEN AND HOW IS A PRELIMINARY REPORT PRODUCED?

Shortly after escrow is opened, an order will be placed with the title company which then begins the process involved in producing the Preliminary 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 of recorded matters include a deed of trust recorded against the property or a lien recorded against the borrower for an unpaid court award or unpaid taxes. These recorded matters are listed numerically as “exceptions” in the Preliminary Report. They will remain exceptions from title insurance coverage unless eliminated or released prior to the close of escrow.

WILL THE PRELIMINARY REPORT DISCLOSE THE COMPLETE CONDITION OF THE TITLE TO A PROPERTY?

No; it is important to note 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, but merely report the current ownership and matters that the title company will exclude from coverage if a title insurance policy should later be issued.

IS A PRELIMINARY REPORT THE SAME THING AS TITLE INSURANCE?

Definitely not. A Preliminary Report is an offer to insure, it is not a report of a complete history of recorded documents relating to the property. A Preliminary Report is a statement of terms and conditions of the offer to insure a title insurance policy, not a representation as to the condition of title.

These distinctions are important for the following reasons:



No contract or liability exists until the title insurance policy is issued.



The title insurance policy is issued to a particular insured lender and other entities cannot claim the benefit of the policy, except an assignee or successor of the original lender.



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