



Insuring The “Gap”

In a typical real estate transaction, the title company or a policy-issuing title agent issues a title policy to the buyer, seller and/or to the lender (if there is a mortgage) and, separate and apart from issuing the title policy, provides a closing service to facilitate the smooth transfer of the real estate. Sometimes a client will choose to close the transaction without the assistance of a title company or a policy-issuing title agent.

Keep in mind: If you do not close with a title company or a policy-issuing title agent, then you may not have insurance for the “Gap” period!

So what does it mean to provide insurance during the “Gap” period, and what are the benefits?

Protection during the “Gap” Period: The title company protects the buyer and lender from covered liens and other covered title defects that are recorded against the property in the “Gap” period: The period between the through date of the last courthouse record search (the effective date of the title commitment) and the recording date of the new deed and/or mortgage (the effective date of the title policy).

Payoffs: The title company insures that all existing mortgages and other liens are paid off after closing pursuant to written payoff instructions.

Defects in Title: The title company corrects many defects in title prior to closing the transaction, such as errors in the legal descriptions or names of the parties, and requires resolution of issues related to legal proceedings that might affect the property.

Recordable Documents: The title company insures that the new deed, mortgage and other documents intended for recording are in recordable form and then properly recorded.

An Itemized Listing of Receipts and Disbursements: The title company provides, pursuant to federal law, an itemized settlement statement listing receipts and disbursements resulting from the transaction creating the interest being insured.

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