

THE BINDER

SALE WITH A BINDER TO INSURE A SALE

The buyer of a property who anticipates reselling it within 2-3 years can save a significant amount in title charges by purchasing a binder. A binder is a temporary contract of insurance in which the title company agrees to issue a specified policy within a certain period of time. The binder must be requested before the property being purchased closes escrow. The fee for a binder is 15% of the basic rate for a full title policy. This can result in a significant savings when the property is resold.

EXAMPLE: \$350,000 sales price
Buyer plans to sell within three (3) years
For \$450,000.00.

In this case the basic rate is \$1,383.00. The binder fee is \$207.35, or 15% of the basic rate. The buyer sells the property three (3) years later for \$450,000.00. The basic rate for a full title policy at that price would be \$1,614.00. The buyer now pays the difference between the two basic rates, i.e., $\$1,614.00 - \$1,383.00 = \$231.00$.

WITH BINDER	WITHOUT BINDER	TOTAL SAVINGS
\$207.35 Initial Binder Fee	\$1,292.00 Short Term Rate	\$1,292.00 Short Term Rate
\$231.00 Paid at Time of Resale	(i.e., Amount that would be	\$ 438.35 Total Binder Fees
\$438.35 Total binder fees	paid for a short term policy	\$ 853.65 Total Savings
	rather than the standard	
	basic rate of \$1,614.00.)	

THREE (3) YEAR BINDER

3 YEAR BINDER ---An additional year can be added to the binder. This is done by the buyer payin an additional 10% fee of the basic rate on the same sales price.

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