

NEWS RELEASE

HOME SALE SERVICES, INC.

COSTS OF SETTLEMENT - TITLE INSURANCE

Home Sale Services, Inc. (www.homesaleserviceinc.com) has launched a series of articles addressing the costs of real estate settlement. The second article in the series pertains to Title Insurance.

Home Sale Services, Inc., (www.homesaleserviceinc.com), is a company which writes Agreements of Sale for clients who are not utilizing real estate brokers to handle their sale or purchase of a home. The company specializes in assisting you with the sale or purchase of your home. We charge a flat fee for services rendered. We are not real estate brokers. We are staffed by attorneys and personnel experienced in the home sale industry. We limit our services to Pennsylvania and further to the following counties in Pennsylvania: Montgomery, Chester, Berks, Bucks and Delaware Counties. Home Sale Services provides a professionally drawn Agreement of Sale and the mandatory Seller's Property Disclosure Statement required by Pennsylvania. The flat fee for this service is \$750.00.

One of the costs of a real estate purchase is title insurance. Title insurance is required by all lenders in Pennsylvania when providing funds (mortgages) to purchase real estate. It insures that the title to the real estate is free from any claims affecting the purchaser's ownership. It protects the owner, and the lender, from losses incurred by past mortgages and debts, judgments, mechanics liens, divorces, defects in title, documents misplaced in courthouses, boundary line disputes, unpaid taxes, and other concealed problems, like forgery or other frauds.

WHAT IS THE COST?

In Pennsylvania title insurance rates have been set by the state legislature. The premium is generally calculated on the value of the interest which you are purchasing. An owner's policy is issued at the time of the purchase of the property and is based upon the full consideration, including the aggregate unpaid principal sum of any mortgages or other liens, claims, taxes and any other municipal charges not being paid. A policy may be issued in an amount in excess of the full consideration where agreed to by the insurer and the insured.

The title insurance rate comes in three varieties. If a property has not had title insurance within the past ten years, the title insurance rate is the "Basic Rate." A purchaser of a title insurance policy shall be entitled to a less expensive rate, called the "Reissue Rate" if the property to be insured is identical to or is part of property which had obtained title insurance within the past ten years immediately prior to the date of the insured transaction.

There is a third, and lower rate and that is applicable to subdivision or condominium regimes. This rate is employed when title insurance has been issued to a builder within ten years of the title insurance being applied for and the builder sells completed units out of the subdivision or the planned unit development, cooperative or condominium. In this instance, the charge is 90% of the reissue rate. Attached to this article are examples of title insurance rates for properties valued between \$250,000.00 and \$500,000.00. Home Sale Services would be happy to provide information as to charges below \$250,000.00 and above \$500,000.00 or any other questions concerning rates. Call 610-489-3656.

SPECIAL TITLE INSURANCE RATES

There are a number of other, less frequently, used rates which apply in particular circumstances. One of those is when a loan policy is to be issued within four years of the date of the previously insured mortgage or fee interest and the premises to be insured are identical to, are part of, the real property previously insured, and there has been no change in the fee simple ownership. If all those criteria are met, and the new loan policy is within two years of the original title insurance issue date, the new policy is 70% of the reissue rate and if it is between two and four years of the original title insurance issue date, it is 80% of the reissue rate.

When a policy has been issued on a construction loan mortgage and within six months from completion of the building, the same mortgagor executes a new mortgage, the charge shall be 50% of the reissue rate, provided that the new policy is being issued by the same insurer which issued the previous construction loan policy.

Title insurance may be issued for a leasehold estate and in that instance, the amount of the insurance must be equal to:

- A. The aggregate of the total rentals payable under the lease; or
- B. the aggregate of the total rentals for the six years immediately following the settlement or closing of the lease transaction; or
- C. a reasonable statement of estimated rents on percentage leases; or
- D. the appraised value at the time of insuring the premises as established by an appraiser acceptable to the insurer; or
- E. the land and total projects costs of such proposed improvements in the case of proposed construction; or
- F. the purchase price of the estate when insuring an assignment of a leasehold estate, including all obligations assumed.

In addition to the basic title insurance rates, all title insurance companies issue endorsements which provide coverage for specialized property issues such as survey

exceptions and condominium concerns and most lending institutions require two or three endorsements at every settlement. The endorsements are subject to additional charges to the title insurance applicant (Buyer). Those charges will be the subject of the next article in this series of memos addressing the costs of a real estate settlement.

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