



## SHINE BRIGHT

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# CLOSING PROTECTION LETTER

## WHY IT IS A MUST



A Closing Protection Letter, commonly called a CPL (or in some states an Insured Closing Letter "ICL"), is an agreement from a title insurance company designed to protect the lender against issues that might arise from non-compliance with lender written closing instructions, fraud or negligence on the part of the closing agent. For example, generally speaking, if a closing agent misappropriates loan funds or fails to comply with the lender's closing instructions, the title insurance company issuing the closing protection letter agrees to reimburse for the actual loss incurred subject to the specific terms and conditions of the CPL.

CPLs first came into use in the 1960s. Since closing agents or attorneys are not employees of the company, they basically act separately and on their own in carrying out instructions from the lenders in closing the loan. Since the funds exchanged at closing are significant, lenders became concerned about their lack of protection in the event these independent closing agents or attorneys made unintentional errors or knowingly committed fraud.

Today, there are standardized title industry and state land title association approved forms for CPLs that are routinely used

in real estate transactions. Industry professionals and customers appreciate the CPL for the benefit it provides to the lender, and by extension to the borrower, lender assignee or warehouse lender.

As a real estate professional with a high priority on quality customer care, you are naturally concerned with ensuring your client's peace of mind throughout every stage of their transaction – including a smooth, safe, and timely closing. As your title partner, we offer an array of products and services designed to support you in those efforts. One of those- the closing protection letter – may in fact be regarded as an ally in achieving your client service goals