



WHAT'S A CLOSING PROTECTION LETTER?

In the event that an accident happens, the vast majority of homeowners pay for liability insurance when they purchase the home to protect themselves against the unexpected.

At the same time, once their mortgage is secured, their lender will require them to pay for title insurance to protect the loan. It's a one-time payment due at closing that will stay in place until the mortgage loan is paid off or re-financed, and it will protect against any errors or undiscovered clouds on title that might crop up after closing - evidence that a deed was forged, for example, or that an unknown heir turns up claiming an interest in the property, or that a portion of the closing funds were somehow misappropriated.

As your title partner, we scour the public records to ensure that every real estate transaction closes cleanly, with no such errors, omissions, or undiscovered clouds on title. When our title search is completed, we issue what's known as a closing protection letter (CPL) to the mortgage lender - an agreement that indemnifies the lender against any title issues that might arise in the future.

Widely used since the 1960s, when lenders became concerned about their lack of protection against possible fraud or negligence by a title company or their contractors, CPLs are commonly used today in almost all real estate transactions across the country - typically with standardized forms provided by the American Land Title Association in most states across the country.

"That's fine," your buyer may say, but if the insurance indemnifies my lender against these things, why am I expected to pay for it?

Because in the end, you can explain, the insurance also protects you, the homebuyer. As careful as your title company may be, nobody can foresee the unexpected. Once the CPL has been issued, no matter what kind of title issue might arise after the title has been transferred to you, the lender's insurance you paid for and that remains in force, will protect your interests as well as the lender's.

It's a small price to pay for peace of mind as you move into your new home.