



# The Binder

## SALE WITH A BINDER TO INSURE

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 10% of the basic rate for a full title policy. This is an addition to the applicable fee for a Owner's policy (usually paid for by the seller). The use of a binder in your transaction can result in a significant savings when the property is resold.

In California, under normal circumstances, the seller of real property pays for the buyer's title insurance. Traditionally the buyer would pay the binder portion.

### EXAMPLE: \$350,000 SALES PRICE

Buyer plans to sell within two (2) years for \$450,000.

In this case the basic rate is \$1,187.00. The binder fee is \$118.70 or 10% of the basic rate.

The buyer sells the property two (2) years later for \$450,000.

The basic rate for a full title policy at that price would be \$1,373.00.

The buyer now pays the difference between the two basic

#### WITH BINDER

\$118.70 Initial Binder Fee  
\$186.00 Paid at Time of Resale  
\$304.70 Total Binder Fees

#### WITHOUT BINDER

\$1,373.00  
ALTA Homeowners Policy

#### TOTAL SAVINGS

\$1,373.00 ALTA Homeowners Policy  
-\$304.70 Total Binder Fees  
\$1,068.30 Total Savings

### THREE YEAR BINDER

Prior to the expiration of the two year period, a binder may be extended for a third year for an additional 10% of the base rate

