

Hold Open Policies

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title insurance costs



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What Is A Hold Open?

A Hold Open is a title insurance product whereby the title insurance company who is insuring the initial sale of the property agrees to reinsure the property at a subsequent sale within a certain period of time. Most title insurance companies will extend the Hold Open period for an additional year for a fee. Three conditions of a Hold Open are:

- They are only for owner's title insurance policies. They are not available for refinances.
- The same property is being sold.
- **Example:** If two units in a duplex are purchased together with a Hold Open, then the sale must be of both those duplex units, not separately. Same applies to subdivided land.
- The same title insurance company who issued the initial owner's title insurance policy must be the same company to insure the subsequent sale.

What Purpose Does A Hold Open Serve?

A Hold Open saves an investor money in title insurance costs when they sell the property. An investor who buys a property will have the benefit of the Seller on that transaction paying the owners title insurance policy. At that time, the investor will pay the Hold Open charge. No owner's title insurance policy is issued for the first transaction. When the Investor goes to sell the property within the Hold Open period, the title insurance company will issue an owner's title insurance policy to the new buyer without additional costs, except any increase in the liability.

Example: Investor buys property for \$150,000, performs some fixes, and sells property for \$200,000 - the investor will pay the difference between the basic title insurance rates for \$150,000 and \$200,000). The end result is a substantial savings on title insurance costs.

Who Does A Hold Open Serve?

The hold open policy works best for anyone who will be buying a property and re-selling that same property with 12 to 18 months. Hold Opens are a favorite title insurance product for investors or fix-and-flippers.

Example

Bob Buyer purchases 123 Main Street for \$500K, with the intention to re-sell within 24 months. He purchases a Hold-Open by paying the flat fee of \$175 for the first 12 months and the option to extend another 12 months if requested within the initial 12 month period.

Sam Seller pays for the Owner's Policy \$1,790.

Deed is executed from **Sam Seller** to **Bob Buyer**.

If **Bob Buyer** takes out a loan, the agent will issue a loan policy.

Owner's policy is not issued, it is held open.

6 months later **Bob Buyer**, now **Bob Seller**, is ready to sell 123 Main Street Denver CO 80120 for \$550K to **Betty Buyer**.

Basic premium for \$550K is \$1,878 and **Bob Seller** is now responsible for the difference in basic premium rates between transaction A and Transaction B.

- Transaction B: \$550k premium: \$1,878.
- Transaction A: \$500k premium: \$1,790.
- Total due on Transaction B Owner's Policy: \$88.
- Deed is executed from **Bob Seller** to **Betty Buyer**.
- Owner's policy is issued in the name of **Betty Buyer**.
- If **Betty Buyer** takes out a loan, the agent will issue a loan policy.





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