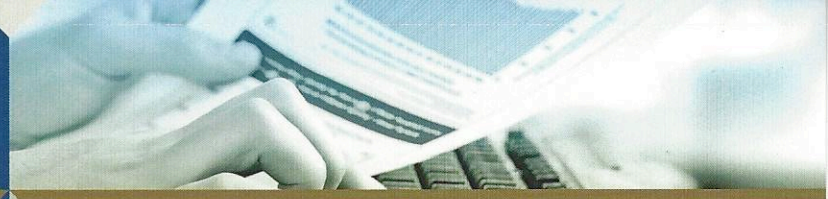
# *Preliminary Reports*

## *FAQ*



When a buyer (or lender) is ready to invest in that perfect home or real estate opportunity, they should ask questions as to what "title" matters might affect their investment. That's where Fidelity National Title steps in—to provide a Preliminary Report to answer those questions.

### What is a Preliminary Report?

The Preliminary Report, often referred to as "PR" or "Prelim", is a dated formal report by the title insurance company detailing the conditions under which a policy of title insurance would be issued. In California Insurance Code 12340.11, a Preliminary Report is described as an offer "...to issue a title policy subject to the stated exceptions set forth in the reports and such other matters as may be incorporated by reference therein." In some states, similar reports may be referred to as "title commitments" or other terms.

### How does the Preliminary Report affect the real estate transaction?

The Preliminary Report provides the opportunity, prior to purchase, to review matters affecting the property which may require clearing prior to the transaction closing, or which will be excluded from coverage under the title insurance policy.

### When and how is the Preliminary Report produced?

Shortly after escrow is opened, an order will be placed with Fidelity National Title to begin the process of "searching" various public records and recorded matters relative to both the property and the parties to the transaction. This information is then compiled into the Preliminary Report for the parties' review.

### What items are included in the Preliminary Report?

Recorded matters will be listed numerically as "exceptions" and will remain exceptions from title insurance coverage unless eliminated or released prior to the transfer of title. The report includes:

a. Record Owner and Estate Interest
b. Legal Description of Property
c. Tax and Bond Information
d. Easements and CCRs
e. Trust Deeds (Loans)
f. Liens, Encumbrances, and Defects in Title
g. Personal Recorded Liens on Buyers and Sellers

### Why do I need to carefully read the Preliminary Report?

Examine thoroughly all ownership rights and claims, as restrictions and encumbrances may pass along with the property to the new owner. Some examples of red flags requiring special attention include:

a. Mechanics' Lien: Statutory lien for labor, material supplies from prior improvement of property. A release must be recorded to remove this lien
b. Lis Pendens: Notice of Action court proceeding of one party prosecuting another
c. Bankruptcy: U.S. Bankruptcy Court proceeding wherein assets of a debtor cannot satisfy creditor's claims
d. Uninsured Deed: Deed was recorded, but its validity has not been verified
e. Access: Landowner's right to ingress and egress from public street

*Contact your Fidelity National Title Sales Executive for more information or questions about Preliminary Reports and the other services we provide*

**Fidelity National Title**
National Commercial Services

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