

UNDERSTANDING THE BASICS

OF PRELIMINARY REPORTS

The process of preparing a preliminary report begins once an order for title services has been received. Production of the preliminary report is generally a three-step process beginning with our research team's examination of the public records, who then compile the public records relating to the property and parties involved in the transaction; then an examiner, who is skilled at reviewing those public records, evaluates what gets reported, such as the following:

- The current interest and ownership in the property.
- The legal description for the property.
- Matters that affect the property, such as liens and encumbrances.

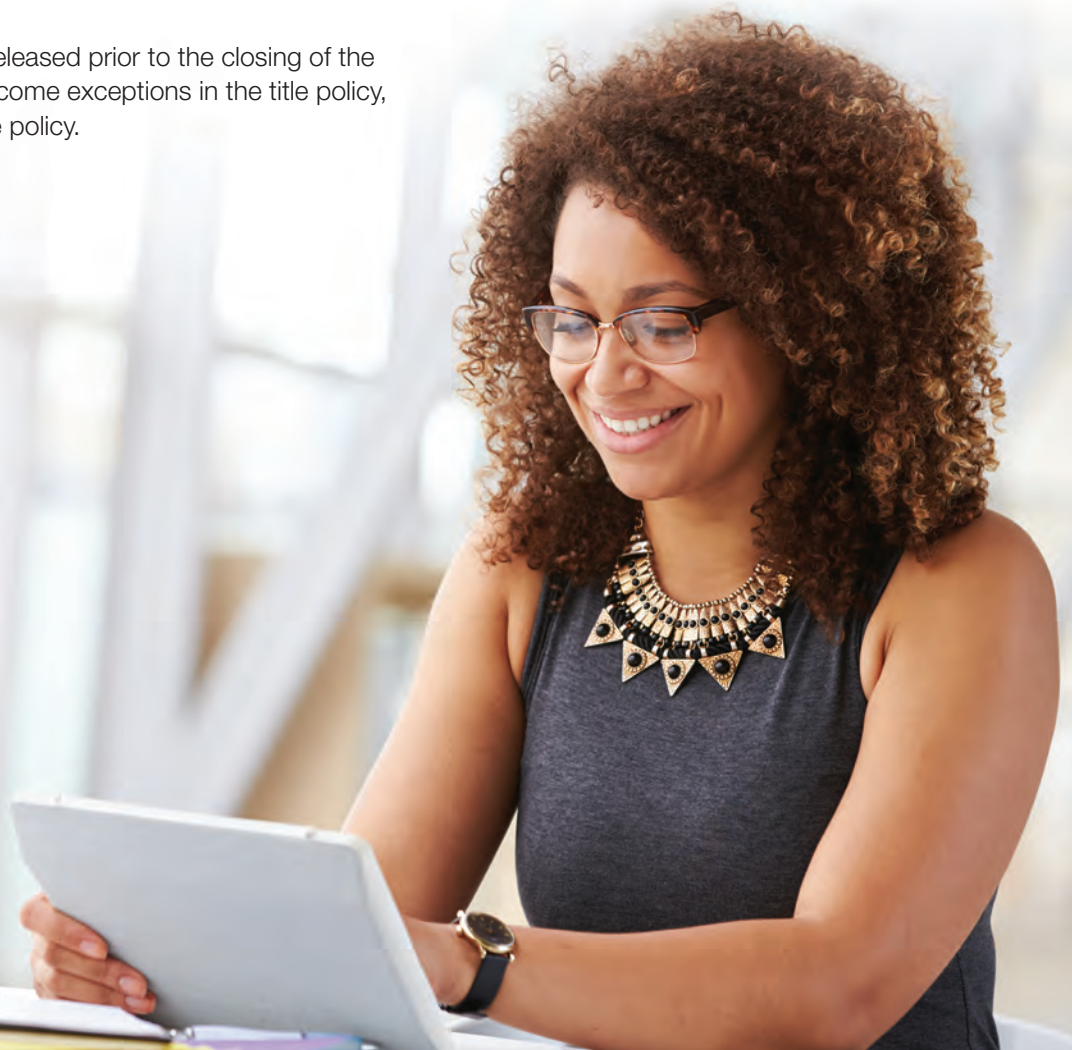
The preliminary report is then typed, assembled and delivered.

What is the purpose of the preliminary report?

The preliminary report allows the parties to the transaction to examine matters identified as affecting title, relative to the conditions under which the title company is being requested to consider issuing a particular type of policy. For example, the report will identify matters of importance to the parties, such as title defects, liens and encumbrances, that may have an adverse effect on the ownership of the property, providing the parties an opportunity to address any objectionable items identified in the report. For example, the parties may require that a lien on the property be paid and released, so that the lien no longer remains as an encumbrance.

If exceptions are not eliminated or released prior to the closing of the transaction, they will remain and become exceptions in the title policy, which effect the coverage under the policy.

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Is a preliminary report just another name for the title policy?

No. The preliminary report is a report on the property, preliminary to the issuance of title insurance. The preliminary report is merely an offer to insure upon the terms and conditions stated therein, and details those matters that the title company would exclude from coverage were they to issue a policy at a later date. It does not create a contract of liability, which means it provides no protection to the recipient. A title insurance policy must be issued in order to provide coverage as to the ownership interest in the property.

Should I take the time to review the entire preliminary report?

Yes. It is broken down into the following key sections with hyperlinks to certain referenced documents and maps:

- Type of policy that is being contemplated.
- The type of interest that the vested owner holds in the property.
- The vested owner of the property.
- Legal description to the property.
- Exceptions to coverage.
- Notes and Requirements.

A list of standard exceptions and exclusions of items not covered by your title policy may be attached to your report; if so, you should review this as well.

If I have a question about my preliminary report, who should I call?

Your title agent, your real estate agent or, should you have one, your attorney, can all help answer any questions you may have about your preliminary report. Don't hesitate to ask any one of them to discuss the report with you.

Contact us today.

Stewart Title of California, Inc.
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