



## **WHAT IS THE PURPOSE OF A PRELIMINARY TITLE REPORT (PTR)?**

A Preliminary Title Report (or title report) gives a snapshot in time of the condition of ownership to a piece of real property. It is a tool to help make an intelligent evaluation in dealing with land. It will disclose the name(s) of the owner(s) of record, legal description and any recorded liens (loans or other debts), encumbrances or special limitations to the use of the property. The Sales Agreement may require that the buyer approve the Preliminary Title Report.

## **WHAT ARE SOME EXAMPLES OF SPECIAL SITUATIONS THAT ARE DISCLOSED BY A PRELIMINARY TITLE REPORT?**

**OWNERSHIP OF PROPERTY** - Title to real property is owning pieces of a pie. The more pieces you have, the greater your ownership interest. The title report shows the “vested” owner of the property.

**RESTRICTIONS** - Limitations on the use or enjoyment of real property.

**EASEMENTS** – Non-possessory rights of a limited nature granted to third parties in and to the land of another.

**ESTATES** – Upon the death of an individual, the ownership of the property passes to devisees (if there is a will) or heirs-at-law (if there is no will). The total assets (including property) of the deceased are known as the “estate”. An estate may pass through probate. A *probate* is a court-sanctioned process where assets are gathered, creditors are paid, and the balance distributed to the devisee or heirs. A personal representative is appointed who signs documents and deeds.

Without a probate, there is no court-sanctioned process for gathering assets, and paying creditors. There is no personal representative appointed. Deeds will need to be obtained from all heirs and devisees. The title company assesses any special risk in the situation, and an additional risk premium may be charged. In some cases, the title company may require a full probate. Since each situation is unique, it will be evaluated on its own facts.

**LITIGATION** – Any court action that involves real property. Examples are:

*Foreclosures* – A process to terminate an interest in property (due to owner/borrower’s failure to make payments on a loan or debt). Depending upon the type, a foreclosure proceeding usually requires redemption, a reinstatement or a release.

*Divorces* - Creates and terminates interests in property and obligations by former spouses. It may be necessary to contact former spouses to complete a sale, to obtain signatures, or to pay outstanding obligations.

**JUDGMENTS** – A monetary award against an individual whose assets then can be reached for payment. The title company may require additional information (such as a Statement of Identity) regarding the identification of individuals with common names to determine if they are the subjects of judgments.

**BANKRUPTCY** – A process that offers protection to an individual from creditors and an opportunity to restructure his/her debt. The seller may or may not be permitted to execute sales documents. Distribution of proceeds, including real estate commissions, must be approved by the Bankruptcy Trustee.