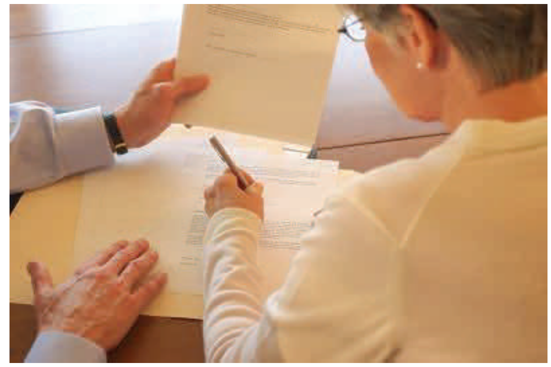
ATC

Central Alabama Title Center



WHAT IS A CLOSING PROTECTION LETTER (CPL)?

OBTAINING A CPL

Lenders *must simply request a Closing Protection Letter be included with their title commitment/policy when an order is placed with their title company.*

Sellers *can notify their Realtors before a Purchase Agreement is executed. that they wish to obtain this coverage and therefore it can be specified in the sales contract.*

Borrowers *should notify their mortgage loan officers at the time of application that they wish to purchase this coverage.*

If the desire to obtain coverage is not specified prior to closing of the transaction the coverage can still be obtained at closing. However, Closing Protection Letters cannot be issued once a closing has been completed.

CPL FEE SCHEDULE

Each layer of coverage comes with its own specific fee, which is a direct result of the risk involved with each party. The following represents the fee structure currently in place for all CPLs requested through the Central Alabama Title Center, LLC:

- *Lender Coverage: $25.00*
- *Borrower Coverage: $25.00*
- *Seller Coverage: $50.00*

A closing protection letter is typically issued by a title insurance underwriter to verify the title agent's authority to issue the underwriter's policies and to make the financial resources of the national title insurance underwriter available to indemnify lenders and purchasers for the local closing agent's errors or dishonesty with closing funds. These letters are issued in addition to title insurance policies at the lender, buyer/borrower and seller's request.

ALABAMA LAW

On June 2, 2011, Governor Robert Bentley signed into law the Alabama Title Code Act No. 2011-556 that now requires all parties of a real estate transaction be provided the opportunity to purchase a Closing Protection Letter.

WHO DOES A CPL PROTECT?

The closing protection letter is available for purchase by a lender, buyer/borrower and the seller in a real estate transaction. A CPL generally applies only with respect to the particular transaction for which it is issued involving a designated agent for a specified period of time.

The CPL specifically provides that the title insurance company will reimburse the customer named in the letter (when a company's title insurance policy is purchased) for losses incurred under certain conditions and as the result of certain actions or inactions by the approved agent or attorney.

The CPL further provides that the customer's recourse against the title insurer is limited to and defined by the provisions of the letter with respect to such losses.

WHY SHOULD I CONSIDER PURCHASING A CPL?

The natural question for a buyer/borrower or seller to ask is "Why do I need this?" The simple answer is that the coverage provided under the Closing Protection Letter is not provided by the title insurance policy itself.

The seller may be particularly interested in a Closing Protection Letter if there is equity to be distributed in the sale, among other reasons. The buyer/borrower and seller basically have the same incentive to purchase a Closing Protection Letter as the lender does. Just as all lenders require a lender's policy of title insurance, generally lenders require a Closing Protection Letter to cover themselves in case closing instructions are not followed or in the event of fraud, dishonesty or theft. Unfortunately, these things occur in our industry and that is why the Closing Protection Letter was instituted.

Additionally, just as with title insurance, having the closing protection coverage is the final line of protection for the insured parties in the event of a covered loss. The addition of this coverage takes the human error and potential for fraud or intentional mistake out of the equation.