

## 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, generally 12 -18 months, for a substantial discount. Most title insurance companies will extend the Hold Open period for an additional year for a fee (usually \$50-\$100).

*Hold Opens are only for owner's title insurance policies. They are not available for refinances.*

One of the conditions of a Hold Open is that the same property is being sold. For instance, 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 after the initial purchase, a Hold Open would not be applicable to the sale of the various parcels of the subdivision done after the initial purchase. Another condition to bear in mind is that the same title insurance company who issued the initial owner's title insurance policy must be the same company to insure the subsequent sale. Cannot use different title insurance companies.

## WHAT TYPE OF PEOPLE USE A HOLD OPEN?

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 (depending on underwriter). Hold Opens are a favorite title insurance product for investors or fix-and-flippers.

## WHAT PURPOSE DOES A HOLD OPEN SERVE?

A Hold Open saves an investor or fix-and-flipper money in title insurance costs when they go to sell the property. In Colorado it is customary for the Seller of a property to pay the owners title insurance policy premium. 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, either 10% or 25% of the applicable schedule of basic title insurance rates (depending on underwriter). No owner's title insurance policy is issued for the first transaction. When the Investor goes to sell the property within the 12-18 month 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 (ex. 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. Under the above example of a purchase of \$150,000 and subsequent sale for \$200,000, the investor/fix-and-flipper would save approximately 70% in title insurance costs.

