



TRANSFERRING REAL ESTATE PROPERTY TO A TRUST

It is important to keep in mind the impact that transferring real estate property to a trust can have on its current title insurance coverage. Before making any transfers, it is crucial to confirm that the existing coverage will continue or to obtain an endorsement that adds the trust as an additional insured on the policy. It is worth noting that only the ALTA Homeowner's Policy of Title Insurance for one-to-four family residences, adopted in 1998, provides automatic coverage for transfers to a trust. Prior to this date, no title insurance policies provided for continuation of coverage for a transfer to a trust after the policy date. Therefore, it is advisable to obtain an endorsement for any policy that lacks coverage for a later transfer to a trust.

ASK YOURSELF THESE THREE QUESTIONS:

- Did you buy the property before 1998?
- If you purchased the property after 1998, did you obtain a policy other than the ALTA Homeowner's Policy of Insurance?
- Have you added an endorsement or obtained the ALTA Homeowner's Policy after purchasing the property?

If you answered yes to either of the first two questions and no to the last one, then it is time to review your title insurance policy. In many cases, successor trustees do not obtain the benefit of the existing title insurance policy when the property passes to a trust established after policy date.

However, the owner can prevent this by adding an endorsement that states the title insurance will be retained when the property passes to the trustee.

WHY IS IT IMPORTANT TO RETAIN THE TITLE INSURANCE?

It's crucial to make sure your title insurance coverage is maintained when transferring real estate property to a trust. If your current coverage doesn't transfer or you can't add an endorsement, purchasing a new title policy may be necessary. Keep in mind that the cost of a new policy will be based on the property's current value, which could result in a significant increase in expenses and equity.

You should always consult your legal advisors to discuss your specific situation. Contact us today for more information.

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