

Title Tip 15

What is a title commitment & how do I read it?

After a title search (see above) is done looking for defects in the property's chain of history that might lead to future problems, a "Title Commitment" is issued informing that the title company has *committed* to insuring the property. The buyer has several days to talk to their title company or their agent if they have questions or they find anything unacceptable on the title commitment. The Title Commitment is divided into two (2) sections:

Schedule A is like the cover page. It lists the lists the: (1) Effective date of the insurance policy; (2a) Dollar Amount of the Policy; (2b) Names of the insureds (e.g. New Owner and/or Lender); (3) Name of the Seller of the Property; and (4) identification of the land being insured.

Schedule B -1 includes the Requirements. The Requirements are what must be done before the title insurance can be issued and property can close. If any of the Requirements can't be met, there may be a delay or cancellation of the sale. Some of the Requirements may be recording of a new deed, releases of various liens, tax payments, copy of trust paperwork, or proof of identify, payoff of mortgages, liens, judgments, Home Equity Lines (HELOC).

Schedule B-2 includes the Exceptions. Exceptions are what the title company will not cover against (including certain exceptions that are standard, like water or mineral rights.) If the problem is listed in Schedule B, the title insurance policy will *not* cover against it (nor pay attorney or court fees regarding the problem.) If the buyer protests some Exception, the title company may be convinced to insure over it (with an endorsement) or obtain a release, or other document to eliminate the exception. Some examples of Exceptions are interests in the land that can only be found at inspection, easements, and tax assessments for new construction. The buyer, however, should read the Exceptions section carefully as there may be a limited time to make any objections before the title insurance is issued and the closing is completed.

After the Closing, the title insurance policy is issued.