

How To Read a Title Commitment

What You Should Look For

A commitment for title insurance is issued at the beginning of the process of buying, selling or refinancing real estate. Its purpose is to report the status of the title and the conditions under which the title company will issue a policy. The commitment lists requirements to be complied with as well as any specific exceptions from coverage. Reviewing this information is one of the best ways you can prepare for a smooth transaction.

The Cover Sheet - Most people tend to overlook the cover sheet; However, a quick review can give you important information.

1. Are the sellers and buyers listed on the cover sheet? If they are not listed, they are not receiving copies of the commitment from the title company.
2. Make sure all parties to the transaction are included on the cover sheet. It should include the lender(s) and/or any attorneys that are involved in the transaction as they will want to review copies of the commitment.
3. It will also list the closer and contact information in case you have any questions.

Schedule A - This is where you will find the name(s) of the people who currently hold title, the legal description of the property, the name of the proposed insured (buyer), the sales price and the name of the lender(s).

1. Are the sellers listed on the commitment the same as the parties who executed the contract?
2. Does the legal description match the one on the contract?
3. Are the buyers' names spelled correctly?
4. Is the purchase price correct?

Schedule B- Section 1 - This section states all requirements must be met before the buyer can close on the property. Here are a few examples:

1. Releases of all outstanding loans
2. Release of liens (example: homeowner's association)
3. Release of federal tax liens
4. Satisfaction of judgments
5. Mechanic's liens

Schedule B- Section 2 - This section addresses exceptions (items that will not be insured).

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1. Taxes for the current year
2. Mineral rights and lack of access
3. Easements for utilities, sewer purposes or drainage
4. Boundary line and encroachment issues
5. Covenants, conditions, and restrictions (CCR's)