

## Tips for Reading Your Title Commitment

Know what to look for when you receive the commitment

The title commitment may be one of the most misunderstood documents in the real estate transaction. New agents may wonder what to do with the title commitment when they receive it. Do they forward it on to their client? Glance at it and file it away? And even seasoned agents have been known to approach their sales rep and ask for a quick refresher course on what they should be checking when the title commitment shows up in their inbox.

Here's a quick "crash course" on how to read a title commitment and put it to work for you. A few minutes reviewing this information on each title commitment is one of the best ways a real estate agent can prepare the way for a smooth transaction at the closing table.

### The Delivery Slip

Most people probably disregard the delivery slip as just a convenience. However, a quick once-over can give you some important information:

1. Are the buyers and/or sellers listed on the delivery slip? If not, they are not receiving copies of the commitment from the title company and it is incumbent upon the Realtor to deliver a copy.
2. Make sure all parties to the transaction are listed on the delivery slip. The lender and any attorneys that are involved will want to receive copies of the commitment.
3. Keep a copy of your delivery slip handy, because it lists your closer and your title contacts in case you have questions or issues prior to your closing.

### Schedule A

As soon as you receive your title commitment, carefully review the following information on Schedule A:

1. Are the buyers' names spelled correctly?
2. Is the purchase price correct?
3. Does the legal description match the one on the contract?

4. Are the sellers listed on the commitment the same parties who executed the contract?
5. Is the property address correct?
6. Does the title premium reflect a reissue rate if your seller is entitled to one? In most Colorado counties, Land Title gives a re-issue rate no matter what company issued the previous title commitment and even if the owner no longer has a copy.
7. If the contract calls for an Owner's Extended Coverage (OEC) policy, check the premium to make sure that the correct policy type is being paid for and provided.
8. Review the endorsements and make sure they apply to the property. Lender endorsements are requested by the lender and may not be removed by any other party.

If you find any discrepancies between Schedule A and the contract, let your closer know immediately.

### Schedule B-1

As soon as you receive your title commitment, carefully review the following information on Schedule B-1, Requirements:

1. Are any of the parties using a Power of Attorney? Even though there will not be a requirement listing this, it is very important to get a copy of the POA to your closer well in advance of the closing for review.
2. Is the seller or buyer a corporation, limited liability company, or partnership? If so, the requirements may call for a trade name affidavit, partnership agreement, or articles of incorporation. The sooner you can obtain these from your customer, the sooner the title department can review them.
3. Sometimes the title commitment will show two deeds of trust on a property, yet the seller has only a single loan. Please let your closer know right away; we can probably obtain a Release of Deed of Trust from the previous lender, or a Letter of Indemnity from the previous title company.

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4. The requirements may show Federal Tax Liens or Judgments that need to be satisfied. If these liens do affect your seller or buyer, please contact the appropriate parties to obtain payoff information. Many times, however, these liens show up as a result of a common name. In that case, your client may be asked to supply additional information showing that they are not the same person in the judgment.

5. A requirement for a Death Certificate may mean one of the parties has died but title has not been cleared. We must record a Death Certificate in lieu of the other party signing the Warranty Deed.

Beginning July 1, 2006, a Supplemental Affidavit stating that the party on the Death Certificate is the same as the party holding title must be signed by a third party with no interest in the property (a physician or funeral director, for example), notarized, and recorded. It can be recorded simultaneously with the Death Certificate or as a separate document.

If property was held in Joint Tenancy, the items listed above are all that will need to be recorded. If title was held as Tenants in Common, however, and there was a death of one of the owners, the estate must go through probate. For more information, see our November 2004 Technical Bulletin, "How a Death Affects a Transaction."

6. An Owner's Policy on vacant land may require an ALTA survey, which is usually paid for by the seller. ALTA surveys tend to cost more than ILC surveys but are required by the underwriter in order to provide survey protection.

### Schedule B-2

Schedule B-2 describes the exceptions to title—items not being insured over by the title company—including standard exceptions (listed below), taxes, and other burdens that will affect the subject property after closing. These include items such as covenants, conditions, and restrictions (CC&Rs); easements (for example, utility or access); and/or mineral reservations.

There are eight standard exceptions taken by the title company, which include:

1. The rights or claims of parties in possession not shown of public record.
2. Easements, or claims of easements, not shown by the public records.
3. Discrepancies, conflicts in boundary lines, shortages in area, encroachments, and any facts that a correct survey and inspection of the premises would disclose and that are not shown of public record.

4. Any lien or right to a lien, for services, labor, or material before or after the effective date, imposed by law and not shown by the public records.
5. Defects, liens, encumbrances, adverse claims or other matters, if any are created, first appearing in the public records or attaching subsequent to the effective date of the commitment and prior to the date the warranty deed is recorded. This exception is sometimes referred to as the "gap exception," referring to liens that may occur after the title company has closed the transaction but before the conveyance documents are recorded.
6. Taxes and assessments not yet due or payable and special assessments not yet certified to the Treasurer's office.
7. Any unpaid taxes or assessments against the land.
8. Liens for unpaid water and sewer charges, if any.

These standard exceptions are found on every title commitment but may be deleted or revised on the policy. For example, upon proof of payment of prior and present taxes, item 6 will be amended to reflect current taxes and item 7 will be deleted. With an Owner's Extended Coverage (OEC) policy, standards exception 1 through 4 are automatically deleted. Upon underwriter approval, endorsements can provide additional protections for certain exceptions.

If buyers have questions regarding specific exceptions, they should consult a real estate attorney.

### Subsequent Commitments

A dash-2 or dash-3 at the end of the commitment number indicates how many times the commitment has been revised.

Land Title underlines the information that has changed in all second and subsequent commitments, so if you've reviewed the entire commitment the first time, you only need to review the underlined information on updated copies. If you place orders using our TMX system, changes on subsequent commitments will be indicated in a different color.

### More Information

For more help on reading a title commitment, contact your Land Title Sales Representative or your closer.

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