



TITLE COMMITMENT

WHAT IS IT?

The Title Commitment is the report generated after the title company searches for any potential issues that might prevent the buyer from legally owning the property or for encumbrances that the buyer will have to adhere to such as deed restrictions, easements and/or leases.

The commitment is generally issued with a week or so of opening escrow with the title company and should be read through completely. It is not uncommon for this report to just be signed and filed away, but this is a mistake. If there are issues, the buyer has a limited amount of time in which to cancel the contract and have the earnest money refunded to them. Also, issues that do not prevent close may appear even years after the house has closed escrow.

HOW TO READ A COMMITMENT

Schedule A - The “Facts”

This is the basics of the report; the who, what, where and how. It will describe the property, give the names of the buyers and the sellers, and the amount of coverage for the property.

Verify that all names are accurate and spelled correctly and that everyone involved in the purchase is listed. Make sure the names match what is on the contract. Confirm that the property description is also correct.

Schedule B - The “FYI”

This is the Buyer Notification section where any encumbrances or items that the title company did not search for and are not responsible for are listed. Although these are things that the buyer cannot change, it will give them an opportunity to walk away if there is something they do not agree with.

These items could include:

- Deed restrictions / Restrictive covenants: restrictions imposed by the original property developer on how you can use your home, even if you are not in an HOA.
 - Taxing jurisdictions
 - HOAs: whether or not you belong to an HOA
 - Recorded Easements: utility easements are most common, permitting access to your property to other people for specific purposes such as utility companies or a driveway for another property owner
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HOW TO READ A COMMITMENT - CONTINUED

- Leases / mineral rights: Even though leases convey with the property, the title company is *not* responsible for any leases in effect, nor do they usually know who owns the mineral rights. If you know the property has a lease, you need to get that lease from the seller and review it. The terms of the lease convey with the contract.

Check to make sure the survey coverage is updated if you are getting a survey amendment on the title. Also, sometimes the deed restrictions are not included in the title commitment. The title company may be able to provide you with a copy or you can request one from the County Clerk.

Schedule C - the “To Do List”

This will be a list of all the items that needs to be cleared in order to close. Generally, they will include items like paying off the existing lien on the property by the seller and recording the deed. But this is also where unexpected liens can be found such as city taxes, mechanics liens, or second mortgages. People who are not on the contract may be on the title and will need to sign off on the deal.

Schedule D - the “Disclosure”

This is the section where the title company lists the amounts paid towards the title policy. As long as no changes have been made to the loan amount or closing price, this should be the same amounts listed on the final documents.

What If There Are Issues Found?

Some issues prevent the transaction closing until they are resolved. But, the seller is responsible for fixing any and all problems. The title company only reports the problem, they cannot fix them. Now most problems are easily fixed and may cause a slight delay at most. However, if there is a larger problem that they seller cannot fix or fix in a reasonable amount of time, the buyer can cancel the contract and their earnest money is refunded.

If the buyer has plans for the property such as; installing a pool, erecting an outbuilding or have livestock, they need to closely read the deed restrictions to make sure such changes are allowed.

In Summary

Buyers should be thorough when reading their Title Commitment and not be shy about asking questions if there is something they don't understand. Don't take any chances with your new home!