

Explaining The Title Commitment



The Title Commitment:

The title commitment is a written document which is issued prior to closing and contains the terms under which the title company is willing to issue a title policy. A title policy is issued post closing and provides protection against loss if a defect is found in your title. Examples of a defect can include errors, liens, claims of ownership, fraud, invalid documents, etc. There are various schedules in the commitment for a policy of title insurance. In general, the written schedules outline the promise of a title company to defend title if all of the conditions of the commitment are met. A good way to remember the sections of a commitment is by knowing your ABCs.

A Think “Actual Facts” — The Who, What, Where & How Much
Schedule A of the title commitment describes what the title company is proposing to insure. Here, you will find the effective date, the proposed policy coverage amount, the name of the current record title owner of the property, and a legal description of the property. There may be a problem if the amount, owner, or legal description varies from the contract terms. Likewise, if the effective date is well before closing, the buyer may wish to request an update to ensure that the information is current.

B Think “Borders, Boundaries, and Buyer Notification”
Schedule B of the title commitment contains a preprinted list of standard exceptions that the title policy will not cover. Because much of this language is “boilerplate,” some buyers tend to skim over Schedule B. This is a mistake. In addition to many preprinted terms, Schedule B will also list some matters specific to the transaction, including restrictive covenants, easements and rights-of-way, and mineral reservations. Any one of these items may seriously impair the usefulness of the property, so buyers should carefully review Schedule B and copies of any documents referenced there. And, again, please note, these items will not be covered by the title policy.

C Think “Clear to Close”
Schedule C of the title commitment describes the requirements that must be satisfied for the issuance of the title policy. These items on Schedule C must be resolved at or prior to closing. For example, the title company may require information regarding the marital status of one of the parties, copies of records from probates or bankruptcies, clarification of homestead status, or a new or updated survey. On schedule C you will also find descriptions of mortgages, mechanic’s liens, tax liens, judgments, lawsuits, assessments, and other such encumbrances affecting the title. The seller is primarily responsible for resolving exceptions noted in Schedule C.

D Think “Disclosure”
Schedule D discloses basic information regarding ownership of the underwriter and the title company. Schedule D will also show the total policy premium, and a breakdown indicating how the premium is divided among the various parties who may be responsible for examining title and issuing the policy. It will also show the mortgage company’s amount and any endorsements.

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