



Understanding Your Title Insurance Commitment: Essential Tips for Buyers and Sellers

A title insurance commitment (a "Commitment") can be complicated to understand, but it contains vital information that any party involved in a real estate transaction should carefully review. This article provides a very high-level overview of specific sections of a Commitment.

Deciphering the Commitment

A Commitment is the title company's offer to issue a title insurance policy. It describes, among other things, the various requirements that the parties need to meet before closing and the exceptions that will apply to the final title insurance policy issued following the closing.

The information in Schedule A of a Commitment is straightforward, mainly covering general information about the transaction and the parties involved. It should be reviewed, and any items that need to be corrected should be communicated directly to the title company.

Schedule B-1 and Schedule B-2, respectively, describe requirements and exceptions and contain much more detailed information about the transaction and the subject property.

Meeting Requirements for Title Policy Issuance

Schedule B-1 serves as a critical roadmap outlining the prerequisites that must be fulfilled before a title insurance policy can be issued. Understanding and addressing these requirements are paramount to ensure a smooth and legally sound real estate transaction.

For example, if the buyer or seller are business

entities, then the requirements will include the title company reviewing certain documents of the buying or selling entity. Such requirements will likely include receipt of a resolution that authorizes the entity to enter into the transaction and appoints a person to execute documents on behalf of the entity, and receipt of a certificate showing the entity is in good standing and authorized to do business in the state where the subject property is located.

If unreleased mortgages, liens, or judgments on the property need to be resolved before the title passes from seller to buyer, Schedule B-1 will detail the required actions.



Certain mortgages, liens, or judgments may not have been released from prior owners. This is not uncommon, and if certain items do not appear to be associated with the current seller, those matters should be addressed as soon as possible to ensure that they do not delay closing. Still, the title company will likely require additional work to track down any necessary information related to their satisfaction.

Unveiling Standard Exceptions and Property-Specific Concerns

Schedule B-2 delves into the exceptions to the title policy, shedding light on factors that may affect the property's ownership and usage. Understanding these exceptions is crucial for prospective buyers, as they outline potential risks and limitations associated with the property. Some standard exceptions relate to:

- **Mechanics Liens:** Rights of parties to file a lien for services, labor, or material furnished prior to closing.
- **Survey Matters:** Potential discrepancies or encroachments that would be revealed by a property survey for matters that are not shown in the public records.
- **Rights of Parties in Possession:** Existing rights held by parties in possession of the property, which may not be apparent from the public record but could affect the buyer's interests.

Exceptions are items against which the final title insurance policy will not insure. It is essential to review the exceptions to understand how they may impact your use and ownership of the property.

Certain exceptions are called "standard exceptions," meaning they appear in any commitment issued by the title insurance company. Although they seem boilerplate, they can often be removed entirely if specific requirements are met or additional premiums are paid.

Beyond Standard Exceptions

Beyond the standard exceptions, more specifics may relate to the property. That is why navigating Schedule B-2 and its implications requires the

expertise of seasoned real estate professionals.

A thorough review of these items will include reviewing any documents referred to in the exceptions. For example, there may be records that contain certain restrictions that disallow specific uses of the subject property. This could include restrictions on the uses of the property or even what types of improvements can be constructed on the property, and it is possible that such restrictions would directly conflict with the buyer's plans for the subject property. Since such restrictions are exceptions, they would not be insured under the final title policy, and the buyer could ultimately purchase a property that is not compatible with the buyer's initial plans. A prompt and thorough review of a Commitment can help avoid such situations.

Understanding the intricacies of a Commitment extends far beyond mere comprehension—it is about safeguarding your investment and ensuring your future plans align seamlessly with the property's legal framework. By meticulously reviewing each detail with a seasoned real estate attorney, potential pitfalls, such as conflicting restrictions or unanticipated limitations, can be identified and addressed preemptively. In this collaborative process, every aspect of the transaction is scrutinized, empowering you to navigate the complexities of real estate with confidence and clarity.