

# What is a *Title Commitment*?

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A title commitment is a report prepared prior to issuing a policy of title insurance that shows the ownership of a specific parcel of land, together with the liens and encumbrances thereon which will not be covered under a subsequent title insurance policy. The commitment lists, in advance of purchase, title defects, liens and encumbrances which would be excluded from coverage if the requested title insurance policy were to be issued as of the date of the commitment. The report may then be reviewed and discussed by the parties to a real estate transaction and their agents. Thus, a commitment provides the opportunity to seek the removal of items referenced in the report which are objectionable to the buyer prior to purchase.

## When and how is the Title Commitment produced?

Shortly after escrow is opened, an order will be placed with you, the title agent, which will then begin the process involved in producing the report. This process calls for the assembly and review of certain recorded matters relative to both the property and the parties to the transaction. Examples of recorded matters include a mortgage (a deed of trust) recorded against the property or a lien recorded against the buyer or seller for an unpaid court award or unpaid taxes. These recorded matters are listed numerically as "exceptions" in the commitment. They will remain exceptions from title insurance coverage unless eliminated or released prior to the transfer of title.

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## **What should I look for when reading my Title Commitment?**

You will be interested, primarily, in the extent of your ownership rights. This means you will want to review the ownership interest in the property you will be buying and the description of the property, as well as any claims, restrictions or interests of other people involving the property. The commitment will note in a statement of vesting the degree, quantity, nature and extent of the owner's interest in the real property. The most common form of interest is "fee simple" or "fee", which is the highest type of interest an owner can have in land. Liens, restrictions and interests of others which are being excluded from coverage will be listed numerically as "exceptions" in the commitment. These may be claims by creditors who have liens, or liens for payment of taxes or assessments. There also may be recorded restrictions which have been placed in a prior deed or contained in what are termed CC&Rs—covenants, conditions and restrictions.

Finally, interests of third parties are not uncommon and may include easements given by a prior owner which limit your use of the property. When you buy property you may not wish to have these claims or restrictions on your property. Instead, you may want to clear the unwanted items prior to purchase. In addition to the limitations noted above, a printed list of standard exceptions and exclusions listing items not covered by your title insurance policy may be attached as an exhibit item to your report. Unlike the numbered exclusions, which are specific to the property you are buying, these are standard exceptions and exclusions appearing in title insurance policies. The review of this section is important, as it sets forth matters which will not be covered under your title insurance policy, but which you may wish to investigate, such as governmental laws or regulations governing building and zoning.

## **How do I go about clearing unwanted liens and encumbrances?**

You will wish to carefully review the commitment. Should the title to the property be clouded, you and your title and real estate agents will work with the seller and the seller's agents to clear the unwanted liens and encumbrances prior to taking title.