You’re buying your first house. Several days before closing, you receive an email from the title company letting you know your title insurance commitment is ready to be downloaded and reviewed. After a few clicks, it pops onto your screen. You look it over and scratch your chin, wondering: what does all this Schedule A and Schedule B business mean?

The title commitment comes before closing, the title policy after. The commitment tells you who owns the property (Schedule A), shows you the legal description (Schedule A or C), and lets you know what baggage comes along with it (Schedule B). Some commitments also have a section (usually one page) called Requirements which lists tasks that must be done (paying off seller’s mortgage) or documents which must be provided (seller signing a deed, buyer signing a new mortgage) before title can be successfully transferred from seller to buyer. The word commitment means that the title underwriter is committing or promising to issue a title policy to the buyer after the closing provided that the requirements of the commitment are met.

Most of the variable information on the title commitment results from the title company searching the county’s public records. The normal offices searched are the Recorder, Auditor, Assessor, Treasurer, and Clerk. Depending on the property and special circumstances, records in other government offices are checked. Taken together, these record checks are called a title search. The objective is to find out who the public records say owns the property and who has liens, claims, or other interests in it. Done properly, title searching requires careful, detailed work and often is similar to solving puzzles with vague clues. A thorough title searcher who understands the nuances of the public records system and how real estate title chains works is worth his or her weight in gold.

But back to the commitment.

Schedule A has an Effective Date of a few days prior to the date the commitment is issued. This is not the date the title search was done. It’s an earlier date because of the lag time between a document being presented for recording and the actual entry of the document’s information in the record system (maybe three or four days). Schedule A also contains the property address and the title company’s file number. As mentioned, it shows who the owner is, but it also shows who the buyer is, the purchase price, the buyer’s lender’s name, and the buyer’s loan amount. On some commitments, the property’s legal description is on Schedule A, while on others the description is on Schedule C (not all underwriters use a Schedule C). If the owner doesn’t like how her name appears it can’t be changed, because
that’s how the public records show the owner’s name. But the buyer’s name can be changed if, say, the commitment uses the buyer’s middle name but the buyer prefers his middle initial. Having said that, if the buyer’s new lender has processed the loan using the buyer’s middle name, switching may be like pulling teeth.

The Requirements page comes next, listing the documents that must be produced and/or signed at closing for the property to change hands. Also listed are liens (mortgages, back taxes, judgments) that must be released. There can be some surprises here, so it’s worth taking a look to be sure. Mostly though, Requirements are routine and taken care of or anticipated by the title company because, after all, that’s who listed the Requirements.

But of all parts of the commitment, Schedule B is the most important and should be reviewed carefully by buyers. Why? Because this is where the property’s baggage is listed.

All property has baggage, starting with property taxes. But most property has more. Some property is burdened by utility easements, shared driveways, oil and gas leases, and mineral rights. Others have use restrictions (no fences taller than six feet, no animals except household pets, no satellite dishes larger than pizza pans, etc.). Buyers should ask for copies of the items listed so they can see for themselves what they entail. If buyers don’t like what they see, they may be able to negotiate changes with their sellers, depending on what their purchase agreement says. The idea is to avoid post-closing surprises.

Keep in mind that the title company can’t do much about what shows up on Schedule B because it’s only reporting what it finds in the public records. Think of it like this: title companies are like diagnostic centers (which report problems), not like repair shops (which fix problems). Correcting a title problem falls back on the seller.

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