



# Reading and Understanding Preliminary Title

By  
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# Read this information first!

## PROFESSIONAL *Direction* INC. Clockhours by Mail

1. You will be provided with a booklet of with the class material here in a pdf format. It is a THREE CLOCKHOUR CLASS FOR \$30.00 TUITION.
2. The course has been divided up into 3 sections. In Washington State a “clock hour” is 50 minutes. There are questions about each session. They can be answered while reading the material, at the end of the session, or at the end.
3. **Answer** the questions on the quiz sheet.
4. If you have any questions regarding the material or the questions, don’t hesitate to call or email Natalie Danielson.
5. **Mail** Quiz and Evaluation to Professional Direction.
6. The certificate will be mailed or emailed within 10 days (**or much sooner!**)of receipt of course materials and handout. If you are desperate... just email us!!!!

Disclaimer.. the course materials and questions are not to be used for legal advice. Information can change over time. Real estate transactions are handled different ways in different regions in the State of Washington. If you have any comments or concerns about the material contact Professional Direction.

Thanks!

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# Reading and Understanding Preliminary Title

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This 3 clock hour course is designed to give real estate agents an overview of Preliminary Title Insurance Commitment. In most real estate transactions a title policy is purchased to assure the buyer that he or she is getting all the rights to the property that they are paying for and that the seller has the right to sell the property.

Consumers traditionally have a limited view of the role of title insurance. Real estate agents deal with title insurance every time they fill out a standard purchase & sale agreement. Each time a property is listed, it is important to get the information regarding the last deed. A sale cannot close if there is not “marketable title” as evidenced in preliminary title reports.

Real estate agents need to have a better working knowledge of this aspect of the business to avoid the chance of misrepresenting this critical step in the closing process.

## Course Objectives

Upon completion of this course the students will be able to do the following:

- Define Title Insurance
- List reasons that title insurance is needed
- List items covered and not covered by title insurance.
- Describe a preliminary title report and show competence in reading and analyzing a preliminary title report.
- Explain the different policies and their coverages.
- Understand about clearing exceptions.
- Know when to order preliminary title.

# Reading and Understanding Preliminary Title Curriculum

<b>Session Hours</b>	<b>Major Topics and Objectives</b>	<b>Method of Presentation</b>	<b>Materials Required</b>	<b>Assignment</b>
1 1 hour	Learn about title insurance Who buys it? What does it cover?	Lecture Discussion Quiz	Booklet	Take notes Work on Quiz
2 1 hour	What is not covered and what is an exception?	Lecture Discussion	Booklet	Take notes Work on quiz
3 1 hour	Why should an agent read the preliminary title?	Lecture Discussion	Booklet	Take notes Work on Quiz

# What is Title Insurance?

Do you own that house or plot of land? How do you know you own it? Can you take it home like a TV? If you live in a house or have possession, does that mean you have “ownership?”

What about buying real estate. What if you think you bought that property from the guy selling it on Craig’s list. He gave you a deed. You paid him money. He gave you the keys to the house. How do you know if you own it? What did you buy? The house on land. Acreage with the house? A piece of land with an easement? Did the guy actually own the land that he just sold you?

Title Insurance insures your interest in real estate. That ownership or control may be as owner, lender, or easement holder. Title insurance insures that the person selling you property owns the property and you are going to be the new buyer. The property is described in a legal description.

The interest insured is subject to general and special exceptions as shown in the policy, in addition to matters excluded from coverage. Because, there are some items that the insurance policy does not cover.

Each parcel of real property is unique. It cannot be recreated like a car or other piece of personal property. It is due to this uniqueness that the laws surrounding the disposition of real property have evolved. The owner of real property has exceedingly strong rights...so do the family members and heirs of the owner. But, others may have rights in the property as well:

- Lenders with a security interest in the real property.

- Contractor who provided labor to build a fence.

- Neighbor who accesses his home by driving across the property owner’s yard.

- Coal miner who reserved the right to mine the land.

- Prior heirs to the property.

- Spouses due to Community Property Laws

- Government because of tax liens or eminent domain.

- There can be rights to the air space above the property.

- Tenants can have rights for occupancy.

Title is the evidence of the rights of ownership in real property. Ownership of real property is often referred to as a "bundle of rights," because many different parties may have interest in the same parcel at the same time. Title insurance is a policy that protects the owner and the lender from loss if a property ownership dispute occurs. The title insurance company searches public records, such as liens, claims, deeds, tax records and maps to make sure there are no problems in the title's ownership and history for the property prior to the buyer closing.

When you purchase a television set or even a car, it does not matter if the previous owner was married, single or mentally incompetent. It does matter in the transfer or encumbrance of real property.

Some may think clear title passes with a deed. However, a deed is merely a conveyance instrument which passes the ownership rights held by the grantor to the grantee. It is a document that is recorded in the county that describes the property and that it is being transferred from one party to another.

Although a Statutory Warranty Deed includes legal warranties made by the grantor, it may not always be possible to locate or to receive a settlement from the grantor. The grantor (seller) may give you a deed saying that he/ she owned the property, but , in fact, the parents might be the actual owner. The grantor (seller) might be long gone. The title insurer can handle the claim and then exert its right of subrogation against the grantor.

In the early days of the country, land was mostly passed through generations of the same family. The land record books maintained by each county were not extensive and were not easy to research. Interested parties merely checked land transfer records and tax records to determine the status of title on a parcel.

Through history, land transfers became more and more complex and buyers began to hire attorneys to check the public records for them. An Abstract of Title is the document prepared by the attorney which showed all matters ever recorded against the property in question. When even these abstracts became too complicated to comprehend, attorneys then began issuing Opinions of Title. In these opinions, the abstractors sorted out which recorded documents still affected the title to the property being researched. Eventually, the abstractors moved in to the business of insuring these opinions. In 1876 the first title insurance policy was issued for \$1500.00 by Real Estate Title Insurance company of Philadelphia.

With title insurance, the one-time premium is paid at closing. It is not like other insurance that might be paid monthly or annually. It is paid at closing.

As a matter of local custom, the seller pays for the new owner's policy. The buyer pays for the lender's policy to insure that the lender is lending on that particular property described. If the buyer wants extended coverage, they generally pay the extra fees, including that of a survey. Surveys are generally required for extended coverage insurance policy. It is wise to address the issue of these additional fees in the purchase and sale agreement.

Coverage is in force as long as the owner or the heirs are in title. The coverage is for matters of title that occurred prior to the owner acquiring title, but, which may not surface until after the acquisition.

Title problems originating after the owner is in title are not covered. Title insurance policies are dated and timed the same time as the insured document is recorded, whether a deed or deed of trust. The policy covers only matters occurring prior to this effective date and time of the title policy. Valid claims against the title will be defended against at the expense of the title insurer.

The American Land Title Association (A.L.T.A.) is a national trade association. It provides national standards of uniformity for policy and endorsement forms.

Please note... over the years "A.L.T.A. policy has become a misnomer for an Extended Coverage Loan Policy. This arose from the national standardization of the extended coverage policy accepted by lenders. Prior to this time, many forms were issued by state title association, such as Washington Land Title Association. A.L.T.A. policies can be issued in both standard, homeowners, or extended forms, for both owners' and loan policies. When ordering title insurance, specify standard, homeowners, or extended coverage.

## Who Buys Title Insurance?

### **Owner's Policy**

The Owner or seller customarily provides the purchaser with a title policy that shows that they have marketable title to the property. This policy protects the title up to the purchase price of the property for the buyer for the period of time that the buyer owns the property. Only an owner's policy will protect the buyer from personal loss, such as legal expenses for a dispute after the sale. There are no annual premiums with owner insurance.

### **Mortgagee's or Lender's Policy**

The institution that lends money on real estate wants that investment protected. The lender's policy assures the lender that the mortgage is a valid first lien protected against hidden as well as known defects in the title as insured. Such a policy affords the only way a lender can be certain about the title, which may be acquired in the event of foreclosures. The Lender's policy protects the lender for the time they have the lien against the property and the insurance coverage is for the amount of the mortgage. It decreases as the mortgage decreases.

### **Insurance protection**

Under the terms of a title insurance policy, you are protected against risks and insured against loss as stated in the policy, which is an indemnity contract. If your title as insured is ever attacked the title insurance company stands ready to defend it.

### **Choosing a Title Company**

Under federal law, the Real Estate Settlement Procedures Act (RESPA) the buyer can choose any company. The Seller, real estate agent or lender cannot require the buyer to buy from any particular company. If the seller or agent insist, they are violating RESPA. A complaint can be filed with HUD or DFI.

# Structure of Title Insurance Companies

## Title Plants

Title insurance companies insure title in the counties in which they are located. Most companies have “title plants” which are a company’s own set of title records so they don’t have to search the files at the county recorder’s office. The title plants can be located in the main office or accessible by computer from anywhere. Some title companies share title plants. Property records are kept in books, maps microfiche. Most often as we enter the digital age, records are kept digitally and online. Title companies share records and title plants. Title companies obtain information on past sales and county records.

## Examiners and title officers

The role of the Examiner and the Title Officers are to review the title records and determine if the company will provide a title insurance commitment on that property.

## Customer Service

Because of the extensive records title companies possess, they provide a service to the real estate industry by providing copies of records prior to the transfer of property. In so doing, they often prevent many defects from appearing at the time of closing. The information provided prior to listing can help. In addition, information on property ownership to be used for marketing is available. Often they are required to charge a minimal fee to cover the costs.

## Account Executives

The link between the title companies and the real estate community, including agents, lenders, builders, escrow and attorneys is sometimes provided by account or marketing executives that represent the companies. They provide information and education on the industry and connect customers with their service department.

# Regulation of Title Insurance Companies

Title insurers in the State of Washington are regulated by the Washington State Insurance Commissioner. In order to protect the public, title insurers are tightly regulated on many aspects of the business. These include rates, forms, reserve fund requirements and marketing practices.

Title insurance companies are regulated as to how much can be spent to generate business from real estate agents. A company cannot give (and an agent according to license law cannot take) gifts because they may or have used the title company when sending clients in their direction.

They also fall under the Real Estate Settlement and Procedures Act (RESPA) which is a federal law.



# The Preliminary Title Commitment

"Title Report" is the commonly-used name for a Commitment for Title Insurance issued prior to closing and issuance of a final policy. A preliminary commitment is basically the draft of the policy. It identifies the property that will be covered including the legal description, recorded easements and any recorded home owner association or CCR's. It will also search the buyers and sellers information because they may have issues, for example, liens that may attach to the property that could affect the closing or the ability to get a mortgage. The Preliminary Title may show other issues that must be addressed prior to closing.

Many of the special exceptions shown on the preliminary commitment will be cleared prior to closing. The existing financing will be paid off, new financing will likely go of record and existing liens or court matters will be cleared. The final policy will be issued after closing, showing title s agreed to by the insured owner or lender and as reflected in the public record as of date of closing.

The information shown in the preliminary commitment is compiled by a title examiner who reviews documents of record against the property and persons involved, and determines the current status of ownership, legal description and monetary and physical encumbrances. Most title insurers maintain or share computer systems which are updated daily to reflect new documents of record.

## Title Commitment Format

Schedule A of the commitment contains information on the proposed insured (buyer and lender), types and amounts of coverage's, estate to be insured (fee, leasehold, easements...) and vested owner. The legal description of the property is shown on the second page of this schedule as exhibit "A."

Schedule B contains General Exceptions, Special Exceptions, Requirements to insure and Notes. Notes to title commitment are informational items of interest. These include surveys of record which do not disclose problems, affirmation of no judgments against the buyers, address verification and endorsements to be issued. While items set up as numbered paragraphs either show on the final policy or are cleared during closing, informational notes are removed without any action by the parties to the transaction.

When reviewing title commitment, all parties need to be alert to the accuracy of the information. If you notice discrepancies, it is best to contact your title officer right away. It is much easier to deal with any of these concerns up front than at closing.

Title Company commitments are designed to be easily comprehended. Schedule A clearly sets out the coverage's, policies to be issued, buyer, seller and legal description. Schedule B first lists General Exceptions, all of which will remain on the final (standard coverage) policy. The Special Exceptions follow. The first item after these special encumbrances is the requirement for payment of the Washington State Excise Tax. This item divides the commitment into items prior to the excise tax, which will generally remain; and items following, which are generally paid off in closing. If these items are not paid or otherwise cleared, they will remain on the final policy.

When an agent receives a copy of the preliminary title commitment, they should open and review it immediately and if there are any questions contact the title officer or closer immediately.

# Title Insurance Coverage

## Standard Coverage

A standard coverage policy of title insurance covers matters of public record and has less coverage and the premium is about 30% less. These include:

- Forgery
- Fraud in connection with the execution of documents
- Undue influence on a Grantor or Executor
- False impersonation of those purporting to be owners of property
- Incorrect representation of marital status of Grantor
- Undisclosed or missing heirs
- Will not properly probated
- Mistaken interpretation of Wills and Trusts
- Mental incompetence of Grantor
- Legal access to the property.
- Conveyance by Minor
- Incorrect legal description
- Non delivery of deeds
- Deeds executed under expired or false power of attorney
- Delivery of deed after death of grantor
- Deeds by corporation or partnership without proper or legal authority
- Clerical errors in recording legal documents
- Unmarketability of title as insured
- Record defects, liens, encumbrances, adverse claims or other matters not know or disclosed to the new owner that attach before the date of the policy

## Homeowners Endorsement

This endorsement offers additional coverage's for the homeowner. Some of the extended coverage items are added with this endorsement. The most important of the added coverage's are:

- Unrecorded labor and/or material lien rights
- Unpaid taxes or assessments not shown in the policy
- Enforced removal due to encroachment of the residential structure onto adjoining land.
- Damage to improvements caused by the extraction of minerals from insured property.

## “Homeowners Plus” Endorsement

This special additional coverage is offered at a small additional cost. It covers some of the following:

- Forgery after the date of policy
- Building permit violations forcing removal of a residential structure
- Violations of restrictions prior to ownership
- Legal pedestrian and vehicle access
- Damage to property due to extraction of minerals
- Violations of existing subdivision laws that inhibit ability to get permits, lease or mortgage land
- A structure other than a fence or boundary wall that encroaches
- Protects trustee or successor trustee of a trust in which you are the trustor to whom you transfer your title after policy date.

## Extended Coverage

An extended coverage policy of title insurance covers matters of public record and matters shown by an actual inspection of the property, unless these matters are specifically excepted from coverage. Most often a survey is required prior to coverage.

The additional matters covered include: Unrecorded labor and material lien rights, Unrecorded public or private easement rights, Claims of parties in possession not of record, and Survey and boundary questions.

## **Hidden Defects**

Some of the most serious risks are not revealed by the public records or by an examination of the abstract. These “hidden” risks are usually covered by a title insurance policy include the following.

### **Marital Status of the Owner Incorrectly Given**

One spouse may have an interest in property owned individually by another spouse. An owner may say that he or she is single, although secretly married or perhaps divorced in another state. This could result in a claim by a spouse or former spouse whose existence was not suspected.

### **Undisclosed Heirs**

When an owner dies intestate where there is no will, the courts must decide who are the rightful heirs. But, even then, such a decision by the court may not be final or binding on any heir who was not notified of the proceeding. Even under a will, the court may have to settle questions on interpretation of the will. Examples include children born after the date of the will and/or heirs overlooked due to incorrect probate proceedings.

### **Mental Incompetence or Minors**

A transfer of property by a minor or a person adjudged to be mentally incompetent raises special problems. To be valid and binding on a minor or incompetent, the transaction must be made by guardians or conservators appointed by the court. If a deed was executed by a person who was a minor or under mental disability at the time, that transaction may be voidable or invalid.

### **Fraud and Forgery**

Fraud or forgery will not show as a matter of record.

Examples where the title insurance company protects the new owner include:

- A previous owner may have been fraudulently impersonated.
- Deed, releases, mortgage or other documents may be forged

### **Defective Deeds**

The deed may be defective for any number of reasons which may not be found in the title search. Examples include:

- A deed may have been delivered without consent of the owner or after their death.
- A deed may have been executed under an expired power of attorney.
- The name on the grantee may have been inserted in the deed after its deliver.
- The officer or a corporation may have not been properly empowered to act.

### **Confusion Due to Similar or Identical Names**

Despite a careful investigation to prevent it, some confusion of identity is possible. The closer will send the buyer a form to be completed and signed called a “statement of identity” to clear like names. Examples include:

- A person’s title to his or her land, established thirty years ago may be under one name and the taxes may still be paid under the name... but the lawsuits, marriages, divorces, wills and other actions may be under a simplified family name.
- Two members of the same family might have the same name as in the case of father and son

## **Clerical Errors**

Clerical mistakes are infrequent, but they do happen. A document may be missed in searching or entries in records maybe in error.

## **Items Not Covered by Title Insurance**

### **Easements**

An easement is a right, by express or implied agreement to provide use of another's property in a specific manner. Commonly seen easements include those for utility and access purposes. Easements may be created by reservation, specific grant or on the face of a plat map.

### **Road Maintenance Agreements**

A document recorded to indicate responsibility for maintaining access easements and private roads. Lenders need to be sure their security is accessible by a maintained road. This document is not required or approved by the title insurer.

### **Reservation**

A clause in a conveyance document, which reserves a specific right to the grantor. A common reservation is that of mineral rights. It is not unusual for mineral rights to have been segregated from the fee title.

### **Covenants, Conditions, and Restrictions**

Most subdivisions recorded in the past twenty years have extensive CCR's recorded which affect the use of the property. Even older subdivisions commonly have use restrictions in place. The purpose is to protect the value of all the properties within the subdivision by prohibiting uses which may be undesirable. Restrictions may also be recorded against a single property reserved on a deed.

### **Agreements**

Agreements may be recorded against real property for many situations. It is not uncommon to see recorded Indemnity agreements between municipalities and property owners. The city of Seattle Commonly records these when a portion of the sidewalk is used for a street café. Agreements may also be recorded to indicate non-protestation of LID to be formed at a future date.

### **Excise Tax**

A transfer tax paid at the time of sale of real property. The tax is collected at the county level, with proceeds directed partially to the state and partially to the city in which the property is located. Local custom is the seller will pay the excise tax at closing.

### **County Property Taxes**

The amount of property tax due to the county on an annual basis. The taxes are often prorated and paid at closing.

### **Assessments**

Monetary liens are placed against a property by municipalities to pay for an area improve

**Deed of Trust**

The most commonly used financing document.

**Mortgage**

A mortgage is a security instrument more commonly used prior to the creation of the Deed of Trust.

**Real Estate Contract.**

A form of seller financing whereby the seller retains the title to the property and the buyer holds only a purchaser's interest in the property.

**Judgment**

The final determination by a court as the outcome of a monetary dispute. It attaches to all real property owned by the debtor and will show on title.

**Mechanics Lien**

A workman or supplier can attach a mechanics lien to real property by those who provide labor or materials to that property.

**Pending Divorce**

If a property is to be sold or encumbered before a divorce is final both parties must sign the deed.

**Pending Civil Action**

A lis pendens indicates a court action has been filed in the courts involving the property.

**Bankruptcy**

Indicates a pending federal bankruptcy filing indicates someone with a record interest in the property

**Probate**

Indicates a pending action that involves this property.

**Earthquake or Tornado or landslide**

Damage to land or improvements on the property caused by fire, natural disaster or depreciation is not covered by title insurance..

**Government Regulations**

Changes in zoning or restrictions on use placed on the land after the closing are not covered.

**Indian Tribal codes or rights**

They are not covered and may show on the title report. Property encumbered by Indian tribal codes or rights generally will be disclosed in a preliminary commitment and will be excluded from coverage.

**Personal Financial trouble**

Title insurance does not cover a person who cannot pay a mortgage because of sickness or damage by earthquake, for example.

## Clearing Common Exceptions

### Physical Encumbrances

This category includes easements, use restrictions and agreements. These will remain on title unless very specific steps are taken. In order to obtain a release of these items, you must obtain a written release in recordable form from the parties who currently benefit from the encumbrance. An easement may be released by the parties who have the right of its use. Agreements may be released by all parties to the agreement. Plat restrictions (CCR's) may contain specific requirements within the document regarding release, but may prove impossible to release if they were a requirement of the initial platting process. If you need to remove any of these types of items from title, be sure to contact your escrow agent and title officer early on in the transaction. It would be wise to contact your title officer even before your purchase and sale agreement is signed, if you anticipate removal of physical encumbrances as a condition of the transaction. Removal of these types of encumbrances are complicated and may require the involvement of attorneys for both the buyer and seller.

### Excise Tax

Excise Tax in Washington State must be paid at the time of transfer of title and is based on the monetary consideration of the transfer. King County will not record a deed until the tax is paid and the deed is stamped with an excise receipt number. Excise tax payment may not be required in a few circumstances, as provided by statute; transfer for love and affection only, assumption with no proceeds to the seller and court-ordered transfers being some possible tax-free transfers. These exemptions are currently under review by the legislature and may be altered in the future.

### Deed of Trust

When a Deed of Trust is paid off the original note (marked paid), original deed of trust (with signed request for reconveyance) and a trustee's fee (usually about \$50) must be forwarded to the trustee named in the deed of trust. The trustee checks for partial reconveyances and assignments of interest before executing and recording the Full Reconveyance. Sometimes the original note or deed of trust may be lost prior to reconveyance. Contact your trustee for their requirements in this situation. They may accept a Lost Note and Deed of Trust Affidavit. They may also require additional fees be paid. Many trustees will resign in such situations, in which case the beneficiary appoints another trustee.

### Mortgage

The beneficiary of a mortgage will execute and record a Satisfaction of Mortgage upon final payment.

### Real Estate Contract

When paid in full, the contract seller will execute a Warranty Fulfillment Deed which transfers title to the contract purchaser. This should be recorded by the escrow holder or purchaser if there is no holder. These deeds are executed at the time of the original sale and held in "true escrow". Paying off a string of contracts can be one of an escrow officer's most challenging tasks. If one of the parties to the contract has died, the original deed may not be sufficient.

### Financing Statements

Most financing statements have a section on which to indicate payment in full or part. When paid, the beneficiary will check this box and record the same as a Termination Statement.

#### Judgment

When a judgment is paid, the creditor's attorney must execute a Satisfaction of Judgment and file this with the court. Judgments and their Satisfactions are not recorded with the county auditor like most other documents, but filed with the Superior Court. Sometimes a "common name" judgment will show on title. If this occurs, the title insurer will note that it may not be the person in question and ask that an Identity Affidavit to be executed by the party named and submitted to the title insurer for review.

#### Mechanic's Lien

Upon payment, a Satisfaction of Lien must be executed and recorded by the lien claimant. If a lien is not paid and no foreclosure is initiated, a mechanic's lien may be considered "out by time" after nine months.

#### Pending Divorce

Property may be sold or purchased by parties involved in a pending divorce. In a sale situation, both parties must sign the deed; unless there is a Property Settlement Agreement previously approved by the court and accepted by the title insurer. In the situation of a purchase, both parties may need to acquire title and then record a deed from the party who will not stay on title. Call your title officer for more details. Each of these situations is unique and demands special attention.

#### Pending Civil Action

Most title insurers are not willing to insure title to property currently involved in litigation. Since many of these actions are for other than monetary consideration, the transaction may have to wait until the case is decided before a closing can occur. Call your title officer early on to clarify these types of situations.

#### Bankruptcy/Probate/Guardianship

Property may be transferred out of these estates by following specific, statutory steps. The title commitment will indicate the status of the action and who is authorized to deal with the transfer. Call your title officer for further information.

#### Corporations/Partnerships

Title insurers must verify who is authorized to handle property transfers from these entities, and the legal status of the entity itself. The requirements will be shown in the preliminary commitment. These will likely include submission of Partnership Agreements, Articles of Incorporation, Minutes of Meetings and Signature Authorization. You will want to pay particular attention to these requirements. Do not assume someone else is dealing with them or that title insurer will waive them.

#### Extended Coverage

Your title commitment will indicate whether or not Extended Coverage matters have been cleared. If there is a numbered paragraph showing "matters to follow by supplemental", make sure you check for that supplemental in a few days. The supplemental will either clear this item or set up specific requirements for its clearance. The most common item to show is "unrecorded lien rights" for recent work done on the property. Title insurers will clear this exception upon review and approval of a signed Builder Indemnity and Financial Statement. If other inspection items show, such as encroachments, call your title officer for information on what may be required for clearance.

## **Ordering the Preliminary Title Report**

A preliminary title report is usually ordered by the real estate agent once they are working with a potential seller. In order to order a report, the agent will need the address and the names of the homeowners. This can be done over the phone, by email, or in some cases using an app for a smart phone. If the seller does not use the title company and close on the property there is a cancellation charge. It is often waived should the buyer insist on another title company to use.

## **How to order the Preliminary Title?**

Who generally orders title? *Typically the real estate agent prior to listing a property for sale.*

Why is it important to get a copy soon after escrow is opened? *Because there maybe issues on the preliminary report that must be addressed prior to closing.*

## **How to read the Report**

When analyzing the report watch for the following. If the agent has absolutely any questions about the information provided, it is important to contact the title company and escrow immediately.

*The names of the Buyers and the Sellers. Why?*

*Any judgments that are listed against the Buyer or Seller. Why?*

*The legal description of the property as it relates to the purchase and sale agreement. Why?*

*The recorded easements, rights and right of way. Why?*

*The recorded liens that are on the property? Why?*



## Why should Agents read the Preliminary Title Report?

Often agents overlook this step in the transaction. It is very important for agents to open this email report! If there is a cloud or a defect, it is best to discover it as soon as possible. Most items identified in the title reports can be cleared up prior to loan approval or sale closing.

- Owners often don't tell agents about judgments that are attached to the property or they didn't know about them. The liens could add up to be higher than the sales price.
- Owners may have a private party holding the first note. Escrow has to order payoff figures. If that person has moved and the note is paid to an escrow account in the bank, closing may be delayed.
- The legal description may differ from the description the real estate agent wrote on the purchase and sale agreement.
- The owner's names may vary from the names on the preliminary title.
- There may be easements that affect the property.
- There may be CCR's that affect the property.

## Quiz for Reading and Understanding Preliminary Title

Which of the following are covered by title insurance?

There is never just one easy answer... there is always more to the story. But, basically, does title insurance cover these situations?

	Situation	Yes / No
1	There is an earthquake in Seattle and the house sits atop a hill. The house is severely damaged.	
2	The owner of the property cannot pay the mortgage because he is critically ill. Does the title insurance help the homeowner pay bills in times of crises?	
3	The owner of the property has lost his title to her 1997 Dodge Caravan Minivan.	
4	The buyer had a roofer knock on the door three months after closing because he didn't get paid for the new roof and he says he can file a lien.	
5	A tornado completely destroys the garage.	
6	A mysterious stranger comes to the door of the house and claims that he is the rightful owner. He has been in France for the past 4 months and never signed any papers to sell his house.	
7	The back deck of the property encroaches on the neighbors yard and the neighbor wants cash to forget the problem one week after closing.	
8	The buyer closes on lot 14 in the plat and the builder commences construction. But, the buyer is shocked to see the builder working on a different lot. The agent and escrow marked the wrong lot number in the legal description.	
9	The seller of the property "forgot" to tell the listing agent that she was married. The deed was in her name alone because she purchased the property prior to marriage. The husband wants the house back when he returns from a business trip because he didn't know she sold it.	
10	The property is 5 acres all fenced as pasture. The fence on the property line is 20 feet further east than the actual property line.	
11	The city sends the new buyer a letter stating that the residential house is actually zoned for another use and not for residential.	
12	The grandson of the last owner says that they forgot to include him as an heir of the past owner.	

13	The last seller of the property purchased it from a friend with a quit claim deed. The new buyer gets notices that the home is in foreclosure.	
14	The new buyer finds out that the seller did not obtain building permits for the addition and the city requires that the back addition to the house be destroyed.	
15	The buyer of the property ties a rope from the back corner property stake to the front property market and the rope bends around the family room. The house was built too far north on the property so there is no setback.	
16	The pipes in the garage freeze and burst causing extensive water damage to the family room.	
17	The neighbors have been riding their horses thru the back corner of the property using it as an easement to access the county trails. There was no such easement on the title report.	
18	Weyerhaeuser decides to extract minerals... probably gems... from the front yard. They have rights to do so as stated in the title report. They completely destroy the front of the property with the back hoe.	
19	The real estate agent forgot to include certain items of personal property on the purchase and sale agreement and the buyers are angry and want the title insurance company to pay for the cost of new ones.	
20	The seller of the property had not paid the property taxes for the past 2 years and the buyers don't want to pay the taxes when they didn't own the property.	
21	The tenant refuses to move from the property at closing and the buyer is sitting outside in the driveway waiting on the phone to talk to the title company.	

22. Title insurance insures interest in real estate which could be as an owner, lender or holder of an easement. The interest insured is subject to general and special \_\_\_\_\_ in the policy.

23. Ownership of real property is often referred to as a ' \_\_\_\_\_ ”

24. Title to property is “evidence of rights of ownership. A \_\_\_\_\_ is a conveyance instrument.

25. An owner or seller provides the purchaser with a title policy to show that they have marketable title to the property. True / False

26. Hidden defects are not revealed by the public records. An example of a hidden defect is: \_\_\_\_\_

27. An example of what title insurance generally does not cover: \_\_\_\_\_

28. What is one reason a real estate agent should read the preliminary title report? \_\_\_\_\_

29. ALTA is..... a) the name of a trade association, b) a type of title insurance policy. (circle one)

30. Title insurance companies in Washington State are regulated by \_\_\_\_\_

31. When you purchase a used TV you do not need to know if it was previously owned by a married couple, if someone borrowed (or rented it), or if the owner died and has heirs. How does title insurance use that information to protect the buyer of a house?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

32. When you read a preliminary title commitment, what are three items that you might see on it that will have to be dealt with prior to closing in order for the property to change hands.

\_\_\_\_\_ - \_\_\_\_\_

33. Can you purchase a property with cash and avoid getting title insurance? If you did, what could be a negative consequence?

\_\_\_\_\_

34. Can a title insurance company representative give you a gift because you send buyers their way for title insurance? Yes / No

35. If a closer when preparing documents has a typographical error when keying in the address to the property, barring any other issue, does title insurance cover any damages and the cost to correct the error? Yes / No

You must attach this quiz to the Mandatory Evaluation to get clockhours for this class.

Name \_\_\_\_\_ Signature \_\_\_\_\_ - Date \_\_\_\_\_

## Mandatory Evaluation

Did you read the material in the booklet on this date? YES / NO  
 Did you complete the quiz and attach answer sheet? YES / NO  
 Did you enclose Tuition (\$30 for 3 hrs) or use pay pal YES / NO  
 Did you fill out and sign this form? YES / NO

Paid by Check or Visa/MC # \_\_\_\_\_ exp \_\_/\_\_/\_\_\_\_ print clearly PayPal avail on website to process the credit cards. You do not need a paypal account.

Why did you choose to take this course? Topic? Time? Cost? Ease? Other?

A "clock hour" is 50 minutes. This 3 hour class should take about 2 hrs 30 min. How long did it take you to complete the course? \_\_\_\_

	No			Yes	
Will the material you learned improve your performance?	1	2	3	4	5
Were the course materials easy to follow?	1	2	3	4	5
Were the course materials relevant to your profession?	1	2	3	4	5
Were your objectives met by attending the class?	1	2	3	4	5

What are 3 things that you learned from the course?

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

### Reading and Understanding Preliminary Title

Print Name CLEARLY	Signature	Company
Address	City Zip Code	Phone
Twitter name @	Email	
License Renewal Date		Date class taken

*Thanks for taking this class! I really appreciate the agents that take clockhours from my school! I am always working on my classes and writing new ones! Thanks, Natalie*

**Professional Direction, 13148 Holmes Pt Dr NE, Kirkland, WA 98034 email: clockhours@gmail.com**

**www.clockhours.com**