



## *Spotting Red Flags on Preliminary Title Reports*

**The best way to spot red flags on your preliminary title report is to read it thoroughly!**

### **Legal Description**

This is the single most important item to check. Is ALL property to be conveyed listed on the Purchase and Sale Agreement? Parcel Numbers help a lot if there is one address that may have 2 or more Parcel numbers. Are all Parcel numbers being sold/purchased included in the Preliminary Title Report? Closings have been delayed (or worse, not closed at all) because the title company produced a commitment based on only the street address, which many times does not adequately describe all property subject to the sale.

### **Vesting**

Generally, whoever signed the Purchase and Sale Agreement should be listed as being in title to the property. If not, look for a Real Estate Contract as an exception. If one of the parties is deceased, contact your title or escrow officer to see what documentation is needed.

### **Identifying Matters**

An Identity Affidavit may be required to determine if liens, judgments, etc., actually belong to the parties involved. When dealing with clients that have common names, it is a good idea to get the affidavit completed and submitted to the Title Company in advance.

### **Buyer Names/Vesting**

If you are the selling agent, you should make sure that your buyer's names are spelled correctly. Inform your escrow closer how they will be taking title (as tenants by the entirety, single, or with right of survivorship).

### **Taxes/Assessments**

Senior citizens may receive a deferral of taxes which may result in a large tax lien to pay at closing. The exemption will go away when the property transfers to another party but the lien will be due and payable. If a mobile home is included in the sale, you should see 2 tax parcel numbers. This may apply even if the mobile home has been exempted from the DMV titling process.

### **Encumbrances/Liens Paid but Not Released**

You may see a lien or encumbrance on your prelim that has been paid off. Clearing this from the record may be as simple as obtaining a Reconveyance of a Trust Deed or Satisfaction of Mortgage or as complicated as a Suit to Quiet Title. Discuss it with your escrow officer ASAP.

### **Pending Actions**

A pending divorce involving either the seller or buyer will be handled on a case-by-case basis. Any other pending court action must be resolved prior to closing.

### **Easements/Road Maintenance Agreements**

If these are recorded, they will show on your Preliminary Title Report. You should review these thoroughly. Many lenders, particularly, FHA and VA, may have specific requirements regarding the language contained in Road Maintenance Agreements.

### **Encroachments**

Most lenders require extended coverage title insurance which insures them against construction liens and encroachments. If you are aware of any work going on or any encroachment issues affecting the property, advise your escrow or title officer right away.