



Glossary of Title Insurance Terms

abstract of title	The condensed history of the title to a particular parcel of real estate, consisting of a summary of the original grant and all subsequent conveyances and encumbrances affecting the property and a certification by the abstractor that the history is complete and accurate.
abstract plant	A geographically filed assemblage of title information which helps expedite title examinations, such as copies of attorney's previous title opinions, abstracts, tax searches, and copies or take-offs of the public records.
accrued item	Expense that will be billed to the buyer but is owed by the seller.
appraisal	An estimate of value conducted by a licensed appraiser. Based on the assignment, an appraiser will estimate value based on market comparisons, assessed value or insurable value. Most residential real estate appraisals compare the subject property to other similar properties in the same area that have sold recently.
attorney's opinion	The written statement of an attorney setting forth what he believes to be the condition of a real estate title.
binder	Sometimes called a "preliminary certificate", a binder is a preliminary report as to the condition of the title and is a commitment to issue a title insurance policy in a certain manner when certain conditions are met.
certificate of title	Sometimes called an "Abstract Certificate", a certificate issued by a title examiner stating the condition of a title. Usually more formal than an attorney's opinion.
consumer financial protection act	An amendment to the National Bank Act designed to identify and explain the standards that apply to national banks. The Consumer Financial Protection Act aims to increase oversight and clarify the laws governing financial transactions in order to protect consumers in these transactions. The act resulted in the creation of the Consumer Financial Protection Bureau (CFPB) to centralize the regulation of various financial products and services.
cfpb	A regulatory agency charged with overseeing financial products and services that are offered to consumers. The Consumer Financial Protection Bureau is divided into several units, including: research, community affairs, consumer complaints, the Office of Fair Lending and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available.
chain of title	The chronological and successive composite of all the instruments affecting the ownership of a property. The chain of title starts with the original source of title (for example, the State of Texas) to each successive owner to the present day. Each conveyance is a link in the chain.

closer	See "escrow agent".
closing	The consummation of a real estate transaction, when the seller delivers title to the buyer in exchange for payment by the buyer of the purchase price. Closings typically take place at the title company, but are sometimes conducted at an attorney's office.
closing costs	Various fees and expenses payable by the seller and buyer at the time of a real estate closing, set out in the Closing Disclosure.
closing disclosure (buyer)	The Buyer's Closing Disclosure (CD) includes loan terms, final closing costs, and a comparison against terms and costs provided in the Loan Estimate (LE). The Lender or Creditor is responsible for delivering the Buyer's CD three business days before closing. The CD replaces the final Truth-in-Lending (TIL) and HUD-1 Settlement Statements. (See "TRID").
closing disclosure (seller)	The Seller's Closing Disclosure (CD) includes the actual terms of the seller's transaction. The Seller's CD is prepared by the Settlement Agent and must be delivered to the Seller with a copy to the Lender no later than the day of closing. The CD replaces the final Truth-in-Lending (TIL) and HUD-1 Settlement Statements. (See "TRID").
closing statement	Also known as a "settlement statement" or "HUD-1", the closing statement was a summation, in the form of a balance sheet, prepared before and executed at closing which shows the amounts of debits and credits to which each party to a real estate transaction is entitled. As of October 3, 2015, the closing statement has been replaced with the "Closing Disclosure". (See "TRID")
cloud on title	An irregularity or encumbrance which, if valid, would adversely affect or impair the title. Clouds on title must be cured (see "curative") prior to closing.
community property	Nine states (including Texas) have community property laws which pertain to all property that has been acquired during a marriage (other than a gift or inheritance). Even if one spouse earns all the money to acquire the property, all the property acquired is considered to be community property. While there are a number of differences in each state, all states have special laws that operate on the theory that both spouses contribute equally to the marriage; thus all property acquired during the marriage is the result of the combined efforts of both spouses. In community property jurisdictions, spouses equally own all community property (fifty percent owned by the husband and fifty percent owned by the wife).
contract	A legally binding and enforceable agreement between two or more persons regarding an exchange (of money, promises, property or services). In order to be valid, a contract must be between two or more legally competent parties and include an offer, an acceptance and consideration.
curative	The body of measures required by the examiner to "cure" defects in the chain of title, to correct erroneous or ambiguous instruments, and to reconcile record title with the actual use and possession of the land.
earnest money	An amount of money deposited by a prospective buyer as evidence of good faith under the terms of a contract. The earnest money deposit is forfeited if the buyer defaults but applies to the sales price if the sale is closed.

easement

A right to use the land of another for a specific purpose, such as for right-of-way or utilities.

encroachment

A building or some portion of it (for example, fences, garage eaves, deck encroachments into power line easements, roof encroachments over building lines, and misaligned driveways) that extends beyond the land of the owner and illegally intrudes onto a portion of an adjoining owner's property. Encroachments will be noted on the survey and in the title policy.

encumbrance

Any lien (such as a mortgage, tax or judgment lien, or an easement or a restriction on the use of the land) that may diminish the value of a property; a cloud against clear, free title to property.

escrow

An agreement between two or more parties providing that certain instruments or property be placed with a third party (usually a title company) for safekeeping, pending the fulfillment or performance of a specified act or condition.

escrow account

An account held by the lending institution into which the borrower pays taxes, insurance and special assessments and from which the lender pays these sums as they become due. This type of escrow account is not the same as being "in escrow" or "in contract" during the sale of real estate; this type of escrow account is optional to most borrowers but is a popular option, as they can avoid large annual lump-sum insurance or tax bills by paying into their lender's escrow account each month.

escrow agent

Also known as a closer or settlement agent, the escrow agent is the disinterested third party responsible for receiving and holding funds and documents related to a real estate transaction, for preparing the HUD-1 Settlement Statement, and for closing the transaction in accordance with instructions.

exception

A provision in a title insurance binder or policy which excludes liability regarding a specified title defect or an outstanding lien or encumbrance.

fiduciary relationship

A relationship of trust, confidence and responsibility, such as between trustee and beneficiary, attorney and client, or agent and client. The fiduciary party must exercise obedience, loyalty, disclosure, care, accountability and responsibility.

forfeit

The act of losing money or a right as a result of failure to perform an agreement, obligation or duty.

hazard insurance

Also called "homeowner's insurance" or "property insurance", provides coverage for specific physical property hazards such as fire, wind, earthquakes and vandalism. During the closing of a property sale, the buyer is almost always required to obtain some form of hazard insurance.

homestead

Property designated as a primary residence, which under Texas Homestead Law is protected from forced sale to pay debts.

homestead exemption	A rule that discounts the value of your primary residence for taxing purposes. Homeowners are eligible for the exemption if the property was their primary residence on January 1, if it is owned by an individual (not a corporation or partnership) and if they apply to the appropriate taxing authorities.
HUD-1	As of October 3, 2015, the HUD-1 has been replaced with the "Loan Estimate" and the "Closing Disclosure". Also known as a HUD-1 Settlement Statement or the Uniform Settlement Statement, this form was required on every federally related mortgage transaction. It provided a financial snapshot of the closing, documenting in balance sheet format all the monies flowing into and out of settlement. The Settlement Agent was responsible for preparing the HUD-1 and closing the transaction in accordance with several documents. (See "escrow agent", "TRID").
index	1) An alphabetical listing in the public records (county clerk's office) of the names of parties to recorded real estate transactions, together with the volume and page where the recorded instrument can be found; 2) The geographic listing in abstract and title plants of recorded real estate instruments in groups according to land descriptions; 3) The alphabetical listing in abstract and title plants which affect but do not describe particular real estate, such as judgments, powers of attorney, wills and probate proceedings.
lenders title policy	See "mortgagee title policy".
lien	Claims or charges against property that serve as security for obligations or debts. Liens may be created by a contract such as a mortgage, or by operation of law, such as a mechanics lien or a tax lien.
loan estimate	The Loan Estimate (LE) provides a summary of key loan terms and estimates of loan and closing costs, including the borrower's "cash to close" requirement. The borrower can use the LE to comparison shop loan products. The Lender or Broker must provide the LE to the Borrower/Consumer within three days of loan application. Loan Estimates (LE) Replace Early Truth-in-Lending (TIL) and Good Faith Estimates (GFE). (See "TRID").
loss	1) Damage suffered by a person due to defects in or liens upon his title to real estate. 2) Money paid by the title insurance company in settlement of policy claims.
marketable title	Title that is free of defects that can be conveyed to a new owner without the likelihood that claims will be made on it by someone else.
mortgagee title policy	Also known as a "lenders title policy", title insurance policy that protects a lender against loss. The lender is protected only as long as the loan is outstanding and for the amount of the loan balance at any given time.
owners title policy	A title insurance policy that protects a buyer or owner against loss by reason of defects in title. Policies can exclude certain encumbrances or defects. Owners title policies protect owners even after a property is sold if title was warranted in the sale. Title company will defend the owners title in court or cure the title defect on behalf of the owner.

premium	The amount paid for an insurance policy. Title insurance policies are paid in one upfront payment.
prepaid item	Item on a closing statement that has been paid in advance by the seller, such as insurance premiums or homeowners association fees, for which he or she will be reimbursed by the buyer. Can also refer to items required by a buyer's lender to be paid in advance such as accrued interest, mortgage insurance premiums or hazard insurance premiums.
prorate	To divide or distribute expenses, either prepaid or paid in arrears, between buyer and seller at the closing (such as taxes, interest, rents).
rate	The cost per dollar unit of title insurance, used to set the premium. For example, the rate for a \$10,000 title insurance policy is stated as (so many) dollars. Mandated by the Texas Department of Insurance.
risk	Exposure to loss. A title insurance company assumes the risk incident to a possible title loss when it insures the owner of the title.
settlement agent	See "escrow agent".
survey	The process by which boundaries are measured and land areas are determined; the onsite measurement of lot lines, dimensions, position of buildings on a lot, and any encroachments or easements.
title	Evidence of ownership of property; the right to own property. The sale of real estate transfers title from one party to another.
title defect	A blemish, imperfection or deficiency that could result in another party laying claim to a property. A defective title is one that is irregular or faulty. Title defects must be cured (see "curative") before closing. Also referred to as a "cloud on title".
title examination	Also known as simply an "examination", this term refers to the perusal and study of all instruments and muniments that affect the title of a particular piece of real estate. The examiner determines the effect and condition of each instrument and determines if the title is free and clear or if it is clouded or defective.
title insurance	Indemnity against loss resulting from defects or liens upon a title. See "mortgagees title policy" and "owners title policy".
title opinion	The conclusion or judgment of an attorney as to the status of a title based on their examination.
title plant	See "abstract plant".

trid

The new TILA/RESPA Integrated Disclosure (TRID) affects consumer-based real estate-secured loans where the application is received on or after October 3, 2015. TRID applies to most residential mortgages and loans on acreage for a consumer purpose. TRID is intended to make the loan process more transparent to Borrowers, allowing them to shop for the best loan products. Under TRID, four documents (Early Truth-in-Lending, Good Faith Estimate, Final Truth-in-Lending, HUD-1) are combined into two documents (Loan Estimate and Closing Disclosure). (See "CFPB").

underwriter

In the mortgage industry, the party that evaluates borrower credit, collateral value, and the risks involved in making a loan. In the title industry, the underwriter is the insurer who issues the title policy.