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**Presents:**

# **Texas Title Insurance**

**Knowledge is the Vehicle – Service is the Goal**

Serving Texas real estate licensees since 1987 with a dedication to quality real estate education.

**Lloyd Hampton Real Estate Education**

**TREC Provider # 09844**

**[www.LHREE.com](http://www.LHREE.com)**

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## INTRODUCTION

Title insurance protects you and your lender if someone challenges your title to your property because of title defects that were unknown when you bought the policy. Most lending institutions will not loan money to purchase a house or other property unless you buy a "mortgagee" title policy.

This policy protects the lender's investment by paying the mortgage (loan amount) if a title defect voids your title. When you buy a house, the title company also issues an owner's policy, unless you reject it in writing. The owner's title policy protects you against the covered risks set out in the policy.

Read your policy carefully. Check the title policy's legal description of your land against your survey and your earnest money contract before the closing. Your title policy tells you how to file a claim and describes your coverage, including limitations, exclusions, exceptions, and special conditions.

**(Excerpt from the Texas Department of Insurance website, [www.tdi.texas.gov](http://www.tdi.texas.gov).)**

Real estate agents often make erroneous or inaccurate statements concerning title insurance. It is wise for agents to know the basics of title insurance in Texas and where to refer their customers and clients for more information on this important topic.

## The Texas Homestead Protection

Homestead is the principal residence of a family in Texas. The urban homestead is the home plus 10 acres. The rural homestead may contain 200 acres for a married couple and 100 acres for a single person. The protection is automatic and requires no paperwork to establish. A business may be run out of the homestead. The Texas Constitution, Article 16, §50 states:

(a) The homestead is hereby protected from forced sale, for the payment of all debts except:

- (1) the purchase money;
- (2) the taxes due thereon;
- (3) an owelty of partition;
- (4) the refinance of a lien against a homestead;
- (5) work and materials in constructing new improvements;
- (6) home equity loans;
- (7) reverse mortgages; and
- (8) a loan on a mobile home converted to real property.

## **What Does Title Insurance Do?**

It DOES NOT clear title.

It DOES NOT guarantee title.

It DOES NOT cover any problems with title.

It DOES NOT pay for any loss of title.

**Title insurance indemnifies (secures against loss) for a covered loss of title under the terms and limitations of the title policy.**

## **Title Companies and Title Agencies**

Title companies actually underwrite and insure the title.

Title agencies are simply title insurance brokers for the title companies.

## **What Do TREC Contracts Say About Title Insurance?**

### **5. EARNEST MONEY AND TERMINATION OPTION:**

- A. DELIVERY OF EARNEST MONEY AND OPTION FEE: Within 3 days after the Effective Date, Buyer must deliver to \_\_\_\_\_, as escrow agent, at \_\_\_\_\_ (address): \$ \_\_\_\_\_ as earnest money and \$ \_\_\_\_\_ as the Option Fee. The earnest money and Option Fee shall be made payable to escrow agent and may be paid separately or combined in a single payment.
- (1) Buyer shall deliver additional earnest money of \$ \_\_\_\_\_ to escrow agent within \_\_\_\_\_ days after the Effective Date of this contract.
  - (2) If the last day to deliver the earnest money, Option Fee, or the additional earnest money falls on a Saturday, Sunday, or legal holiday, the time to deliver the earnest money, Option Fee, or the additional earnest money, as applicable, is extended until the end of the next day that is not a Saturday, Sunday, or legal holiday.
  - (3) The amount(s) escrow agent receives under this paragraph shall be applied first to the Option Fee, then to the earnest money, and then to the additional earnest money.
  - (4) Buyer authorizes escrow agent to release and deliver the Option Fee to Seller at any time without further notice to or consent from Buyer, and releases escrow agent from liability for delivery of the Option Fee to Seller. The Option Fee will be credited to the Sales Price at closing.

- B. **TERMINATION OPTION:** For nominal consideration, the receipt of which Seller acknowledges, and Buyer's agreement to pay the Option Fee within the time required, Seller grants Buyer the unrestricted right to terminate this contract by giving notice of termination to Seller within \_\_\_\_\_ days after the Effective Date of this contract (Option Period). Notices under this paragraph must be given by 5:00 p.m. (local time where the Property is located) by the date specified. If Buyer gives notice of termination within the time prescribed: (i) the Option Fee will not be refunded and escrow agent shall release any Option Fee remaining with escrow agent to Seller; and (ii) any earnest money will be refunded to Buyer.
- C. **FAILURE TO TIMELY DELIVER EARNEST MONEY:** If Buyer fails to deliver the earnest money within the time required, Seller may terminate this contract or exercise Seller's remedies under Paragraph 15, or both, by providing notice to Buyer before Buyer delivers the earnest money.
- D. **FAILURE TO TIMELY DELIVER OPTION FEE:** If no dollar amount is stated as the Option Fee or if Buyer fails to deliver the Option Fee within the time required, Buyer shall not have the unrestricted right to terminate this contract under this paragraph 5.
- E. **TIME: Time is of the essence for this paragraph and strict compliance with the time for performance is required.**

**6. TITLE POLICY AND SURVEY:**

- A. **TITLE POLICY:** Seller shall furnish to Buyer at ☐ Seller's ☐ Buyer's expense an owner policy of title insurance (Title Policy) issued by \_\_\_\_\_ (Title Company) in the amount of the Sales Price, dated at or after closing, insuring Buyer against loss under the provisions of the Title Policy, subject to the promulgated exclusions (including existing building and zoning ordinances) and the following exceptions:
- (1) Restrictive covenants common to the platted subdivision in which the Property is located.
  - (2) The standard printed exception for standby fees, taxes and assessments.
  - (3) Liens created as part of the financing described in Paragraph 3.
  - (4) Utility easements created by the dedication deed or plat of the subdivision in which the Property is located.
  - (5) Reservations or exceptions otherwise permitted by this contract or as may be approved by Buyer in writing.
  - (6) The standard printed exception as to marital rights.
  - (7) The standard printed exception as to waters, tidelands, beaches, streams, and related matters.
  - (8) The standard printed exception as to discrepancies, conflicts, shortages in area or boundary lines, encroachments or protrusions, or overlapping improvements:  
☐ (i) will not be amended or deleted from the title policy; or  
☐ (ii) will be amended to read, "shortages in area" at the expense of ☐ Buyer ☐ Seller.
  - (9) The exception or exclusion regarding minerals approved by the Texas Department of Insurance.



**ADDENDUM FOR RESERVATION OF OIL, GAS, AND OTHER MINERALS****ADDENDUM TO CONTRACT CONCERNING THE PROPERTY AT**

(Street Address and City)

*NOTICE: For use ONLY if Seller reserves all or a portion of the Mineral Estate.*

- A. "Mineral Estate" means all oil, gas, and other minerals in and under and that may be produced from the Property, any royalty under any existing or future mineral lease covering any part of the Property, executive rights (including the right to sign a mineral lease covering any part of the Property), implied rights of ingress and egress, exploration and development rights, production and drilling rights, mineral lease payments, and all related rights and benefits. The Mineral Estate does NOT include water, sand, gravel, limestone, building stone, caliche, surface shale, near-surface lignite, and iron, but DOES include the reasonable use of these surface materials for mining, drilling, exploring, operating, developing, or removing the oil, gas, and other minerals from the Property.
- B. *Subject to Section C below*, the Mineral Estate owned by Seller, if any, will be conveyed unless reserved as follows (check one box only):
- ☐ (1) Seller reserves all of the Mineral Estate owned by Seller.
- ☐ (2) Seller reserves an undivided \_\_\_\_\_ interest in the Mineral Estate owned by Seller. *NOTE: If Seller does not own all of the Mineral Estate, Seller reserves only this percentage or fraction of Seller's interest.*
- C. Seller ☐ does ☐ does not reserve and retain implied rights of ingress and egress and of reasonable use of the Property (including surface materials) for mining, drilling, exploring, operating, developing, or removing the oil, gas, and other minerals. *NOTE: Surface rights that may be held by other owners of the Mineral Estate who are not parties to this transaction (including existing mineral lessees) will NOT be affected by Seller's election. Seller's failure to complete Section C will be deemed an election to convey all surface rights described herein.*
- D. If Seller does not reserve all of Seller's interest in the Mineral Estate, Seller shall, within 7 days after the Effective Date, provide Buyer with the contact information of any existing mineral lessee known to Seller.

**IMPORTANT NOTICE:** The Mineral Estate affects important rights, the full extent of which may be unknown to Seller. A full examination of the title to the Property completed by an attorney with expertise in this area is the only proper means for determining title to the Mineral Estate with certainty. In addition, attempts to convey or reserve certain interest out of the Mineral Estate separately from other rights and benefits owned by Seller may have unintended consequences. Precise contract language is essential to preventing disagreements between present and future owners of the Mineral Estate. If Seller or Buyer has any questions about their respective rights and interests in the Mineral Estate and how such rights and interests may be affected by this contract, they are strongly encouraged to consult an attorney with expertise in this area.

**CONSULT AN ATTORNEY BEFORE SIGNING:** TREC rules prohibit real estate licensees from giving legal advice. READ THIS FORM CAREFULLY.

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Buyer

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Seller

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Buyer

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Seller



The form of this addendum has been approved by the Texas Real Estate Commission for use with similarly approved or promulgated contract forms. Such approval relates to this contract form only. TREC forms are intended for use only by trained real estate license holders. No representation is made as to the legal validity or adequacy of any provision in any specific transactions. It is not intended for complex transactions. Texas Real Estate Commission, P.O. Box 12188, Austin, TX 78711-2188, 512-936-3000 (<http://www.trec.texas.gov>) TREC No. 44-2. This form replaces TREC No. 44-1.

### **Back to Paragraph 6 of Our Contract:**

B. COMMITMENT: Within 20 days after the Title Company receives a copy of this contract, Seller shall furnish to Buyer a commitment for title insurance (Commitment) and, at Buyer's expense, legible copies of restrictive covenants and documents evidencing exceptions in the Commitment (Exception Documents) other than the standard printed exceptions. Seller authorizes the Title Company to deliver the Commitment and Exception Documents to Buyer at Buyer's address shown in Paragraph 21. If the Commitment and Exception Documents are not delivered to Buyer within the specified time, the time for delivery will be automatically extended up to 15 days or 3 days before the Closing Date, whichever is earlier. If the Commitment and Exception Documents are not delivered within the time required, Buyer may terminate this contract and the earnest money will be refunded to Buyer.

D. OBJECTIONS: Buyer may object in writing to defects, exceptions, or encumbrances to title: disclosed on the survey other than items 6A(1) through (7) above; disclosed in the Commitment other than items 6A(1) through (9) above; or which prohibit the following use or activity: \_\_\_\_\_.

Buyer must object the earlier of (i) the Closing Date or (ii) \_\_\_\_\_ days after Buyer receives the Commitment, Exception Documents, and the survey. Buyer's failure to object within the time allowed will constitute a waiver of Buyer's right to object; except that the requirements in Schedule C of the Commitment are not waived by Buyer. Provided Seller is not obligated to incur any expense, Seller shall cure any timely objections of Buyer or any third party lender within 15 days after Seller receives the objections (Cure Period) and the Closing Date will be extended as necessary. If objections are not cured within the Cure Period, Buyer may, by delivering notice to Seller within 5 days after the end of the Cure Period: (i) terminate this contract and the earnest money will be refunded to Buyer; or (ii) waive the objections. If Buyer does not terminate within the time required, Buyer shall be deemed to have waived the objections. If the Commitment or Survey is revised or any new Exception Document(s) is delivered, Buyer may object to any new matter revealed in the revised Commitment or Survey or new Exception Document(s) within the same time stated in this paragraph to make objections beginning when the revised Commitment, Survey, or Exception Document(s) is delivered to Buyer.

**Note: Texas Real Estate License Act Section 1101.555**

When an offer to purchase real estate in this state is signed, a license holder shall advise each buyer, in writing, that the buyer should:

- (1) have the abstract covering the real estate that is the subject of the contract examined by an attorney chosen by the buyer; or
- (2) be provided with or obtain a title insurance policy.

**E. TITLE NOTICES:**

- (1) **ABSTRACT OR TITLE POLICY:** Broker advises Buyer to have an abstract of title covering the Property examined by an attorney of Buyer's selection, or Buyer should be furnished with or obtain a Title Policy. If a Title Policy is furnished, the Commitment should be promptly reviewed by an attorney of Buyer's choice due to the time limitations on Buyer's right to object.



**APPROVED BY THE TEXAS REAL ESTATE COMMISSION**

**OP-C**

10-10-11

**NOTICE TO PROSPECTIVE BUYER**

As required by law, I advise you to have the abstract covering the property known as \_\_\_\_\_ (Address) examined by an attorney of your own selection OR you should be furnished with or obtain a policy of title insurance.

If the property is situated in a Utility District, Chapter 49 of the Texas Water Code requires you to sign and acknowledge the statutory notice from the seller of the property relating to the tax rate, bonded indebtedness or standby fee of the District.

**9. CLOSING:**

- A. The closing of the sale will be on or before \_\_\_\_\_, 20\_\_\_\_, or within 7 days after objections made under Paragraph 6D have been cured or waived, whichever date is later (Closing Date). If either party fails to close the sale by the Closing Date, the non-defaulting party may exercise the remedies contained in Paragraph 15.
- B. At closing:
  - (1) Seller shall execute and deliver a general warranty deed conveying title to the Property to Buyer and showing no additional exceptions to those permitted in Paragraph 6 and furnish tax statements or certificates showing no delinquent taxes on the Property.
  - (2) Buyer shall pay the Sales Price in good funds acceptable to the escrow agent.
  - (3) Seller and Buyer shall execute and deliver any notices, statements, certificates, affidavits, releases, loan documents and other documents reasonably required for the closing of the sale and the issuance of the Title Policy.
  - (4) There will be no liens, assessments, or security interests against the Property which will not be satisfied out of the sales proceeds unless securing the payment of any loans assumed by Buyer and assumed loans will not be in default.



## **12. SETTLEMENT AND OTHER EXPENSES:**

- A. The following expenses must be paid at or prior to closing:
- (1) Expenses payable by Seller (Seller's Expenses):
    - (a) Releases of existing liens, including prepayment penalties and recording fees; release of Seller's loan liability; tax statements or certificates; preparation of deed; one-half of escrow fee; and other expenses payable by Seller under this contract.
    - (b) Seller shall also pay an amount not to exceed \$\_\_\_\_\_ to be applied in the following order: Buyer's Expenses which Buyer is prohibited from paying by FHA, VA, Texas Veterans Land Board or other governmental loan programs, and then to other Buyer's Expenses as allowed by the lender.
  - (2) Expenses payable by Buyer (Buyer's Expenses): Appraisal fees; loan application fees; origination charges; credit reports; preparation of loan documents; interest on the notes from date of disbursement to one month prior to dates of first monthly payments; recording fees; copies of easements and restrictions; loan title policy with endorsements required by lender; loan-related inspection fees; photos; amortization schedules; one-

## **18. ESCROW:**

- A. ESCROW: The escrow agent is not (i) a party to this contract and does not have liability for the performance or nonperformance of any party to this contract, (ii) liable for interest on the earnest money and (iii) liable for the loss of any earnest money caused by the failure of any financial institution in which the earnest money has been deposited unless the financial institution is acting as escrow agent.
- B. EXPENSES: At closing, the earnest money must be applied first to any cash down payment, then to Buyer's Expenses and any excess refunded to Buyer. If no closing occurs, escrow agent may: (i) require a written release of liability of the escrow agent from all parties, (ii) require payment of unpaid expenses incurred on behalf of a party, and (iii) only deduct from the earnest money the amount of unpaid expenses incurred on behalf of the party receiving the earnest money.
- C. DEMAND: Upon termination of this contract, either party or the escrow agent may send a release of earnest money to each party and the parties shall execute counterparts of the release and deliver same to the escrow agent. If either party fails to execute the release, either party may make a written demand to the escrow agent for the earnest money. If only one party makes written demand for the earnest money, escrow agent shall promptly provide a copy of the demand to the other party. If escrow agent does not receive written objection to the demand from the other party within 15 days, escrow agent may disburse the earnest money to the party making demand reduced by the amount of unpaid expenses incurred on behalf of the party receiving the earnest money and escrow agent may pay the same to the creditors. If escrow agent complies with the provisions of this paragraph, each party hereby releases escrow agent from all adverse claims related to the disbursement of the earnest money.
- D. DAMAGES: Any party who wrongfully fails or refuses to sign a release acceptable to the escrow agent within 7 days of receipt of the request will be liable to the other party for (i) damages; (ii) the earnest money; (iii) reasonable attorney's fees; and (iv) all costs of suit.
- E. NOTICES: Escrow agent's notices will be effective when sent in compliance with Paragraph 21. Notice of objection to the demand will be deemed effective upon receipt by escrow agent.



**OPTION FEE RECEIPT**

Receipt of \$ \_\_\_\_\_ (Option Fee) in the form of \_\_\_\_\_  
is acknowledged.

Escrow Agent \_\_\_\_\_

\_\_\_\_\_ Date

**EARNEST MONEY RECEIPT**

Receipt of \$ \_\_\_\_\_ Earnest Money in the form of \_\_\_\_\_  
is acknowledged.

Escrow Agent \_\_\_\_\_

Received by \_\_\_\_\_

Email Address \_\_\_\_\_

\_\_\_\_\_ Date/Time

Address \_\_\_\_\_

\_\_\_\_\_ Phone

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

\_\_\_\_\_ Fax

**CONTRACT RECEIPT**

Receipt of the Contract is acknowledged.

Escrow Agent \_\_\_\_\_

Received by \_\_\_\_\_

Email Address \_\_\_\_\_

\_\_\_\_\_ Date

Address \_\_\_\_\_

\_\_\_\_\_ Phone

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

\_\_\_\_\_ Fax

**ADDITIONAL EARNEST MONEY RECEIPT**

Receipt of \$ \_\_\_\_\_ additional Earnest Money in the form of \_\_\_\_\_  
is acknowledged.

Escrow Agent \_\_\_\_\_

Received by \_\_\_\_\_

Email Address \_\_\_\_\_

\_\_\_\_\_ Date/Time

Address \_\_\_\_\_

\_\_\_\_\_ Phone

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

\_\_\_\_\_ Fax

## **What Does TRELA and TREC Rules Have to Say?**

### **Texas Real Estate License Act Section 1101.654(a)(2)**

#### **SUSPENSION OR REVOCATION FOR UNAUTHORIZED PRACTICE OF LAW.**

The commission shall suspend or revoke the license of a license holder who is not a licensed attorney in this state and who, for consideration, a reward, or a pecuniary benefit, present or anticipated, direct or indirect, or in connection with the person's employment, agency, or fiduciary relationship as a license holder advises a person regarding the validity or legal sufficiency of an instrument or the validity of title to real property.

### **Rules of the Texas Real Estate Commission Section 537.11(b)(4)**

#### **USE OF STANDARD CONTRACT FORMS**

A licensee may not give opinions concerning the status or validity of title to real estate.

## **Who Picks the Title Insurance Company Used in a Transaction?**

U.S. Code Title 12 – Chapter 27 – Section 2608 of RESPA, provides that “no seller of property that will be purchased with the assistance of a federally related mortgage loan shall require directly or indirectly, as a condition to selling the property, that title insurance be purchased by the buyer from any particular title company.”

Buyers may sue a seller who violates this provision for an amount equal to 3 times all charges made for title insurance.

In plain English this means that the buyer has the right to pick the title co. under two conditions:

1. The transaction is controlled by RESPA and
2. The buyer pays for the title policy.

## **Which Transactions are Covered by RESPA?**

U.S. Code Title 12 - Chapter 27 – Section 2602 of RESPA states,

(1) “federally related mortgage loan” includes any loan which is secured by a lien on residential property for one to four families; and

- is made by a lender with deposits insured by the Federal Government,
- or made by a lender regulated by an agency of the Federal Government,
- or is made or insured, guaranteed, supplemented, or assisted by the Secretary of HUD or any other agency of the Federal Government;
- or is intended to be sold to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

## 10 Reasons Buyers Should Pick the Title Company:

1. RESPA may require it.
2. The buyer is the covered party.
3. The buyer's lender is covered.
4. The buyer's heirs are covered.
5. What if the seller's choice fails?
6. What if a claim is denied?
7. The policy costs the same.
8. Policies are standardized.
9. Level of service is acceptable.
10. It avoids lawsuits!

## How Much Does Title Insurance Cost?

Rates Effective May 1, 2013

Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium
\$10,000	\$238	\$32,500	\$398	\$55,000	\$556	\$77,500	\$716
10,500	\$242	33,000	\$401	55,500	\$559	78,000	\$720
11,000	\$244	33,500	\$405	56,000	\$565	78,500	\$725
11,500	\$248	34,000	\$408	56,500	\$568	79,000	\$729
12,000	\$252	34,500	\$412	57,000	\$571	79,500	\$730
12,500	\$255	35,000	\$415	57,500	\$575	80,000	\$734
13,000	\$260	35,500	\$419	58,000	\$579	80,500	\$738
13,500	\$264	36,000	\$422	58,500	\$581	81,000	\$742
14,000	\$267	36,500	\$426	59,000	\$585	81,500	\$744
14,500	\$270	37,000	\$429	59,500	\$589	82,000	\$748
15,000	\$272	37,500	\$433	60,000	\$593	82,500	\$753
15,500	\$276	38,000	\$437	60,500	\$597	83,000	\$757
16,000	\$280	38,500	\$441	61,000	\$600	83,500	\$759
16,500	\$284	39,000	\$443	61,500	\$603	84,000	\$762
17,000	\$288	39,500	\$447	62,000	\$607	84,500	\$767
17,500	\$292	40,000	\$450	62,500	\$611	85,000	\$770
18,000	\$296	40,500	\$455	63,000	\$613	85,500	\$773
18,500	\$298	41,000	\$457	63,500	\$617	86,000	\$776
19,000	\$301	41,500	\$462	64,000	\$621	86,500	\$781
19,500	\$304	42,000	\$465	64,500	\$625	87,000	\$785
20,000	\$309	42,500	\$469	65,000	\$628	87,500	\$788
20,500	\$312	43,000	\$471	65,500	\$631	88,000	\$791
21,000	\$317	43,500	\$475	66,000	\$635	88,500	\$795
21,500	\$320	44,000	\$479	66,500	\$640	89,000	\$799
22,000	\$324	44,500	\$483	67,000	\$644	89,500	\$801
22,500	\$327	45,000	\$487	67,500	\$645	90,000	\$804
23,000	\$330	45,500	\$490	68,000	\$649	90,500	\$809
23,500	\$333	46,000	\$493	68,500	\$653	91,000	\$813
24,000	\$337	46,500	\$497	69,000	\$656	91,500	\$817
24,500	\$340	47,000	\$499	69,500	\$659	92,000	\$819
25,000	\$345	47,500	\$503	70,000	\$664	92,500	\$823
25,500	\$348	48,000	\$508	70,500	\$668	93,000	\$827
26,000	\$352	48,500	\$512	71,000	\$672	93,500	\$831
26,500	\$355	49,000	\$515	71,500	\$674	94,000	\$832
27,000	\$358	49,500	\$518	72,000	\$677	94,500	\$837
27,500	\$361	50,000	\$522	72,500	\$681	95,000	\$842
28,000	\$365	50,500	\$525	73,000	\$685	95,500	\$845
28,500	\$368	51,000	\$527	73,500	\$688	96,000	\$847
29,000	\$373	51,500	\$531	74,000	\$692	96,500	\$851
29,500	\$376	52,000	\$536	74,500	\$696	97,000	\$855
30,000	\$380	52,500	\$540	75,000	\$700	97,500	\$859
30,500	\$383	53,000	\$543	75,500	\$702	98,000	\$862
31,000	\$387	53,500	\$547	76,000	\$706	98,500	\$866
31,500	\$390	54,000	\$550	76,500	\$709	99,000	\$870
32,000	\$393	54,500	\$553	77,000	\$713	99,500	\$873
						100,000	\$875



<b>Title Basic Premium Calculation for Policies in Excess of \$100,000</b>
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**Using the table below, apply these steps to determine basic premium for policies above \$100,000:**

- Step 1      In column (1), find the range that includes the policy's face value.
- Step 2      Subtract the value in column (2) from the policy's face value.
- Step 3      Multiply the result in Step 2 by the value in column (3), and round to the nearest dollar.
- Step 4      Add the value in column (4) to the result of the value from Step 3.

**(See examples provided following the table.)**

<b>(1) Policy Range</b>	<b>(2) Subtract</b>	<b>(3) Multiply by</b>	<b>(4) Add</b>
[\$100,001 - \$1,000,000]	100,000	0.00554	\$ 875
[\$1,000,001 - \$5,000,000]	1,000,000	0.00456	\$ 5,861
[\$5,000,001 - \$15,000,000]	5,000,000	0.00376	\$ 24,101
[\$15,000,001 - \$25,000,000]	15,000,000	0.00267	\$ 61,701
[Greater than \$25,000,000]	25,000,000	0.00160	\$ 88,401

**Example 1:**

- (1) Policy is \$268,500
- (2) Subtract \$100,000 ==>  $\$268,500 - \$100,000 \Rightarrow \text{Result} = \$168,500$
- (3) Multiply by 0.00554 ==>  $\$168,500 \times 0.00554 \Rightarrow \$933.49 \Rightarrow \text{Result} = \$933$
- (4) Add \$875 ==>  $\$933 + \$875 \Rightarrow \text{Final Result} = \$1,808$

**Example 2:**

- (1) Policy is \$4,826,600
- (2) Subtract \$1,000,000 ==>  $\$4,826,600 - \$1,000,000 \Rightarrow \text{Result} = \$3,826,600$
- (3) Multiply by 0.00456 ==>  $\$3,826,600 \times 0.00456 \Rightarrow \$17,449.30 \Rightarrow \text{Result} = \$17,449$
- (4) Add \$5,861 ==>  $\$17,449 + \$5,861 \Rightarrow \text{Final Result} = \$23,310$

## COMMITMENT FOR TITLE INSURANCE (Form T-7)

### TEXAS TITLE INSURANCE INFORMATION

Title insurance insures you against loss resulting from certain risks to your title.

The commitment for Title Insurance is the title insurance company's promise to issue the title insurance policy. The commitment is a legal document. You should review it carefully to completely understand it before your closing date.

El seguro de título le asegura en relación a pérdidas resultantes de ciertos riesgos que pueden afectar el título de su propiedad.

El Compromiso para Seguro de Título es la promesa de la compañía aseguradora de títulos de emitir la póliza de seguro de título. El Compromiso es un documento legal. Usted debe leerlo cuidadosamente y entenderlo completamente antes de la fecha para finalizar su transacción.

Your Commitment for Title Insurance is a legal contract between you and us. The Commitment is not an opinion or report of your title. It is a contract to issue you a policy subject to the Commitment's terms and requirements.

Before issuing a Commitment for Title Insurance (the Commitment) or a Title Insurance Policy (the Policy), the Title Insurance Company (the Company) determines whether the title is insurable. This determination has already been made. Part of that determination involves the Company's decision to insure the title except for certain risks that will not be covered by the Policy. Some of these risks are listed in Schedule B of the attached Commitment as Exceptions. Other risks are stated in the Policy as Exclusions. These risks will not be covered by the Policy. The Policy is not an abstract of title nor does a Company have an obligation to determine the ownership of any mineral interest.

- **MINERALS AND MINERAL RIGHTS** may not be covered by the Policy. The Company may be unwilling to insure title unless there is an exclusion or an exception as to Minerals and Mineral Rights in the Policy. Optional endorsements insuring certain risks involving minerals, and the use of improvements (excluding lawns, shrubbery and trees) and permanent buildings may be available for purchase. If the title insurer issues the title policy with an exclusion or exception to the minerals and mineral rights, neither this Policy, nor the optional endorsements, ensure that the purchaser has title to the mineral rights related to the surface estate.

Another part of the determination involves whether the promise to insure is conditioned upon certain requirements being met. Schedule C of the Commitment lists these requirements that must be satisfied or the Company will refuse to cover them. You may want to discuss any matters shown in Schedules B and C of the Commitment with an attorney. These matters will affect your title and your use of the land.

When your Policy is issued, the coverage will be limited by the Policy's Exceptions, Exclusions and Conditions, defined below.

- **EXCEPTIONS** are title risks that a Policy generally covers but does not cover in a particular instance. Exceptions are shown on Schedule B or discussed in Schedule C of the Commitment. They can also be added if you do not comply with the Conditions section of the Commitment. When the Policy is issued, all Exceptions will be on Schedule B of the Policy.

- **EXCLUSIONS** are title risks that a Policy generally does not cover. Exclusions are contained in the Policy but not shown or discussed in the Commitment.

- **CONDITIONS** are additional provisions that qualify or limit your coverage. Conditions include your responsibilities and those of the Company. They are contained in the Policy but not shown or discussed in the Commitment. The Policy Conditions are not the same as the Commitment Conditions.

You can get a copy of the policy form approved by the Texas Department of Insurance by calling the Title Insurance Company at 1-\_\_\_\_-\_\_\_\_-\_\_\_\_ or by calling the title insurance agent that issued the Commitment. The Texas Department of Insurance may revise the policy form from time to time.

You can also get a brochure that explains the policy from the Texas Department of Insurance by calling 1-800-252-3439.

Before the Policy is issued, you may request changes in the policy. Some of the changes to consider are:

- Request amendment of the "area and boundary" exception (Schedule B, paragraph 2). To get this amendment, you must furnish a survey and comply with other requirements of the Company. On the Owner's Policy, you must pay an additional premium for the amendment. If the survey is acceptable to the Company and if the Company's other requirements are met, your Policy will insure you against loss because of discrepancies or conflicts in boundary lines, encroachments or protrusions, or overlapping of improvements. The Company may then decide not to insure against specific boundary or survey problems by making special exceptions in the Policy. Whether or not you request amendment of the "area and boundary" exception, you should determine whether you want to purchase and review a survey if a survey is not being provided to you.

- Allow the Company to add an exception to "rights of parties in possession." If you refuse this exception, the Company or the title insurance agent may inspect the property. The Company may except to and not insure you against the rights of specific persons, such as renters, adverse owners or easement holders who occupy the land. The Company may charge you for the inspection. If you want to make your own inspection, you must sign a Waiver of Inspection form and allow the Company to add this exception to your Policy.

The entire premium for a Policy must be paid when the Policy is issued. You will not owe any additional premiums unless you want to increase your coverage at a later date and the Company agrees to add an Increased Value Endorsement.

### **DELETION OF ARBITRATION PROVISION**

(Not applicable to the Texas Residential Owner's Policy)

ARBITRATION is a common form of alternative dispute resolution. It can be a quicker and cheaper means to settle a dispute with your Title Insurance Company. However, if you agree to arbitrate, you give up your right to take the Title Insurance Company to court and your rights to discovery of evidence may be limited in the arbitration process. In addition, you cannot usually appeal an arbitrator's award.

**Your policy contains an arbitration provision (shown below). It allows you or the Company to require arbitration if the amount of insurance is \$2,000,000 or less. If you want to retain your right to sue the Company in case of a dispute over a claim, you must request deletion of the arbitration provision before the policy is issued. You can do this by signing this form and returning it to the Company at or before the closing of your real estate transaction or by writing to the Company.**



The arbitration provision in the Policy is as follows:

"Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured, unless the Insured is an individual person (as distinguished from an Entity). All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction."

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

THE FOLLOWING COMMITMENT FOR TITLE INSURANCE IS NOT VALID UNLESS YOUR NAME AND THE POLICY AMOUNT ARE SHOWN IN <b>SCHEDULE A</b> , AND OUR AUTHORIZED REPRESENTATIVE HAS COUNTERSIGNED BELOW.
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### COMMITMENT FOR TITLE INSURANCE T-7

#### ISSUED BY

We (\_\_\_\_\_) will issue our title insurance policy or policies (the Policy) to You (the proposed insured) upon payment of the premium and other charges due, and compliance with the requirements in Schedule C. Our Policy will be in the form approved by the Texas Department of Insurance at the date of issuance, and will insure your interest in the land described in Schedule A. The estimated premium for our Policy and applicable endorsements is shown on Schedule D. There may be additional charges such as recording fees, and expedited delivery expenses.

This Commitment ends ninety (90) days from the effective date, unless the Policy is issued sooner, or failure to issue the Policy is our fault. Our liability and obligations to you are under the express terms of this Commitment and end when this Commitment expires.

ATTEST:

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Authorized Signatory

## CONDITIONS AND STIPULATIONS

1. If you have actual knowledge of any matter which may affect the title or mortgage covered by this Commitment, that is not shown in Schedule B, you must notify us in writing. If you do not notify us in writing, our liability to you is ended or reduced to the extent that your failure to notify us affects our liability. If you do notify us, or we learn of such matter, we may amend Schedule B, but we will not be relieved of liability already incurred.

2. Our liability is only to you, and others who are included in the definition of Insured in the Policy to be issued. Our liability is only for actual loss incurred in your reliance on this Commitment to comply with its requirements, or to acquire the interest in the land. Our liability is limited to the amount shown in Schedule A of this Commitment and will be subject to the following terms of the Policy: Insuring Provisions, Conditions and Stipulations, and Exclusions.

### SCHEDULE A

Effective Date: \_\_\_\_\_ GF No. \_\_\_\_\_

Commitment No. \_\_\_\_\_, issued \_\_\_\_\_, 20\_\_\_\_, \_\_\_\_m.

1. The policy or policies to be issued are:

a. OWNER'S POLICY OF TITLE INSURANCE (Form T-1)

(Not applicable for improved one-to-four family residential real estate)  
Policy Amount: \$  
PROPOSED INSURED:

b. TEXAS RESIDENTIAL OWNER'S POLICY OF TITLE INSURANCE  
ONE-TO-FOUR FAMILY RESIDENCES (Form T-1R)  
Policy Amount: \$  
PROPOSED INSURED:

c. LOAN POLICY OF TITLE INSURANCE (Form T-2)  
Policy Amount: \$  
PROPOSED INSURED:  
Proposed Borrower:

d. TEXAS SHORT FORM RESIDENTIAL LOAN POLICY OF TITLE INSURANCE  
(Form T-2R)  
Policy Amount: \$  
PROPOSED INSURED:  
Proposed Borrower:

e. LOAN TITLE POLICY BINDER ON INTERIM CONSTRUCTION LOAN  
(Form T-13)  
Binder Amount: \$  
PROPOSED INSURED:  
Proposed Borrower:

f. OTHER  
Policy Amount: \$  
PROPOSED INSURED:

2. The interest in the land covered by this Commitment is:

3. Record title to the land on the Effective Date appears to be vested in:

4. Legal description of land:

## SCHEDULE B

### EXCEPTIONS FROM COVERAGE

In addition to the Exclusions and Conditions and Stipulations, your Policy will not cover loss, costs, attorney's fees, and expenses resulting from:

1. The following restrictive covenants of record itemized below (We must either insert specific recording data or delete this exception):
2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.
3. Homestead or community property or survivorship rights, if any of any spouse of any insured. (Applies to the Owner's Policy only.)
4. Any titles or rights asserted by anyone, including, but not limited to, persons, the public, corporations, governments or other entities,
  - a. to tidelands, or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans, or
  - b. to lands beyond the line of the harbor or bulkhead lines as established or changed by any government, or
  - c. to filled-in lands, or artificial islands, or
  - d. to statutory water rights, including riparian rights, or
  - e. to the area extending from the line of mean low tide to the line of vegetation, or the rights of access to that area or easement along and across that area.(Applies to the Owner's Policy only.)
5. Standby fees, taxes and assessments by any taxing authority for the year \_\_\_\_\_, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year. (If Texas Short Form Residential Loan Policy of Title Insurance (T-2R) is issued, that policy will substitute "which become due and payable subsequent to Date of Policy" in lieu of "for the year \_\_\_\_\_ and subsequent years.")
6. The terms and conditions of the documents creating your interest in the land.
7. Materials furnished or labor performed in connection with planned construction before signing and delivering the lien document described in Schedule A, if the land is part of the homestead of the owner. (Applies to the Loan Title Policy Binder on Interim Construction Loan only, and may be deleted if satisfactory evidence is furnished to us before a binder is issued.)
8. Liens and leases that affect the title to the land, but that are subordinate to the lien of the insured mortgage. (Applies to Loan Policy (T-2) only.)
9. The Exceptions from Coverage and Express Insurance in Schedule B of the Texas Short Form Residential Loan Policy of Title Insurance (T-2R). (Applies to Texas Short Form Residential Loan Policy of Title Insurance (T-2R) only.) Separate exceptions 1 through 8 of this Schedule B do not apply to the Texas Short Form Residential Loan Policy of Title Insurance (T-2R).
10. The following matters and all terms of the documents creating or offering evidence of the matters (We must insert matters or delete this exception.):



## **SCHEDULE C**

Your Policy will not cover loss, costs, attorneys' fees, and expenses resulting from the following requirements that will appear as Exceptions in Schedule B of the Policy, unless you dispose of these matters to our satisfaction, before the date the Policy is issued:

1. Documents creating your title or interest must be approved by us and must be signed, notarized and filed for record.
2. Satisfactory evidence must be provided that:
  - a. no person occupying the land claims any interest in that land against the persons named in paragraph 3 of Schedule A,
  - b. all standby fees, taxes, assessments and charges against the property have been paid,
  - c. all improvements or repairs to the property are completed and accepted by the owner, and that all contractors, sub-contractors, laborers and suppliers have been fully paid, and that no mechanic's, laborer's or materialmen's liens have attached to the property,
  - d. there is legal right of access to and from the land,
  - e. (on a Loan Policy only) restrictions have not been and will not be violated that affect the validity and priority of the insured mortgage.
3. You must pay the seller or borrower the agreed amount for your property or interest.
4. Any defect, lien or other matter that may affect title to the land or interest insured, that arises or is filed after the effective date of this Commitment.

## **What Do Sellers Say About Title?**

This depends on the type of deed used to convey title. There are four basic types of deeds:

1. General Warranty
2. Special Warranty
3. Deed Without Warranties
4. Quitclaim

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE AN OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

**GENERAL WARRANTY DEED  
(Cash)**

THE STATE OF TEXAS                    §  
   §        KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF HARRIS                   §

THAT THE UNDERSIGNED, Ben Dover, hereinafter referred to as "Grantor," whether one or more, for and in consideration of the sum of TEN DOLLARS (\$10.00) cash, and other good and valuable consideration in hand paid by the Grantee, herein named, the receipt and sufficiency of which is hereby fully acknowledged and confessed, has GRANTED, SOLD and CONVEYED, and by these presents does hereby GRANT, SELL and CONVEY unto Neil Down, herein referred to as "Grantee," whether one or more, the real property described on attached Exhibit "A."

This conveyance, however, is made and accepted subject to any and all validly existing encumbrances, conditions and restrictions, relating to the hereinabove described property as now reflected by the records of the County Clerk of Harris County, Texas.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said Grantee, Grantee's heirs, executors, administrators, successors and/or assigns forever; and Grantor does hereby bind Grantor, Grantor's heirs, executors, administrators, successors and/or assigns to WARRANT AND FOREVER DEFEND all and singular the said premises unto the said Grantee, Grantee's heirs, executors, administrators, successors and/or assigns, against every person whomsoever claiming or to claim the same or any part thereof.

Current ad valorem taxes on said property having been prorated, the payment thereof is assumed by Grantee.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Ben Dover

Grantee's Address:

\_\_\_\_\_  
\_\_\_\_\_

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE AN OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

**SPECIAL WARRANTY DEED**

THE STATE OF TEXAS                   §  
   §       KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF HARRIS                   §

THAT THE UNDERSIGNED, Ben Dover, hereinafter referred to as "Grantor," whether one or more, for and in consideration of the sum of TEN DOLLARS (\$10.00) cash, and other good and valuable consideration in hand paid by the Grantee, herein named, the receipt and sufficiency of which is hereby fully acknowledged and confessed, has GRANTED, SOLD and CONVEYED, and by these presents does hereby GRANT, SELL and CONVEY unto Neil Down, herein referred to as "Grantee," whether one or more, the real property described on attached Exhibit "A."

This conveyance, however, is made and accepted subject to any and all validly existing encumbrances, conditions and restrictions, relating to the hereinabove described property as now reflected by the records of the County Clerk of Harris County, Texas.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said Grantee, Grantee's heirs, executors, administrators, successors and/or assigns forever; and Grantor does hereby bind Grantor, Grantor's heirs, executors, administrators, successors and/or assigns to WARRANT AND FOREVER DEFEND all and singular the said premises unto the said Grantee, Grantee's heirs, executors, administrators, successors and/or assigns, against every person whomsoever claiming or to claim the same or any part thereof, by, through, or under Grantor, but not otherwise.

Current ad valorem taxes on said property having been prorated, the payment thereof is assumed by Grantee.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Ben Dover

Grantee's Address:

\_\_\_\_\_  
\_\_\_\_\_



**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE AN OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

**DEED  
(Without Warranties)**

THE STATE OF TEXAS                    §  
   §        KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF HARRIS                   §

THAT the undersigned, Ben Dover and wife, Eilene Dover, hereinafter referred to as "Grantor," whether one or more, of the County of Harris and State of Texas, for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable consideration in hand paid by Neil Down, hereinafter referenced "Grantee," whether one or more, the receipt and sufficiency of which is hereby acknowledged, have granted, sold and quitclaimed, and by these presents do grant, sell and convey unto Grantee, of the County of Harris and State of Texas, the real property described on attached Exhibit "A."

TO HAVE AND HOLD the above described property and premises unto the said Grantee, Grantee's heirs, administrators, executors, successors and/or assigns forever. This conveyance is made without warranty, express or implied.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Ben Dover

\_\_\_\_\_  
Eilene Dover

Grantee's Address:

\_\_\_\_\_  
\_\_\_\_\_

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE AN OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

**QUITCLAIM DEED**

THE STATE OF TEXAS                   §  
   §       KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF HARRIS                   §

That the undersigned, Ben Dover, hereinafter referred to as "Grantor," whether one or more, for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) in hand paid by Grantee herein named, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has QUITCLAIMED, and by these presents does QUITCLAIM unto Neil Down, of the County of Harris State of Texas, herein referred to as "Grantee," whether one or more, the real property described on attached Exhibit "A."

TO HAVE AND TO HOLD all of Grantor's right, title and interest in and to the above described property and premises unto the Grantee, and Grantee's heirs, administrators, executors, successors and/or assigns forever; so that neither Grantor nor Grantor's heirs, administrators, executors, successors and/or assigns shall have, claim or demand any right or title to the aforesaid property, premises or appurtenances or any

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Ben Dover

Grantee's Address:

\_\_\_\_\_  
\_\_\_\_\_