

TITLE TERMS YOU NEED TO KNOW

Abstract Plant – A geographically arranged abstract plant, currently kept to date, is adequate for use in insuring titles to provide for the safety and protection of the policyholders. An abstract plant, as further defined in Rule P-12 and as further provided for in the Insurance Code, Chapter 2501.003 and Chapter 2502, must include an abstract plant for each county in which a title insurance agent or direct operation maintains an office.

Abstractor – A person who locates and compiles all relevant documents from the abstract plant pertaining to the subject property.

Additional Chain of Title – A charge applied when more than one parcel of land is involved in policy issuance as noted in Rate Rule R-9. (see Basic Manual)

AIR – Adjustable Interest Rate. An interest rate that fluctuates depending upon the terms of the instrument; an interest rate which is not a fixed rate for the term of the instrument.

ALTA – American Land Title Association, a national association of title insurance companies and title abstract organizations. This term is used most frequently as part of the identification of standard policy forms adopted by that association.

APR – Annual Percentage Rate. The annual cost of borrowing expressed as a percentage rate. This is not the same as a borrower's interest rate on their note.

ARM – Adjustable Rate Mortgage. See "Variable Rate Mortgage."

Title Insurance Basic Manual – The Basic Manual of Rules, Rates, and Forms for the Writing of Title Insurance in the State of Texas, contains seven sections and an appendix.

Basic Rate - When referring to title insurance, the basic rate is the rate charged to a consumer who does not qualify for a reduced rate.

Bureau of Land Management – The branch of government in charge of surveying and managing public lands.

Business Day – Closing Disclosure – All calendar days except Sundays and the legal public holidays such as New Year's Day, Birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Juneteenth, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.

Business Day – Loan Estimate – All calendar days on which the creditor's offices are open to the public for carrying out substantially all of its business functions including processing of loan applications.

CC&Rs – Covenants, Conditions and Restrictions. See "Conditions and Restrictions."

Chain of Title – A term applied to the past series of transactions and documents affecting the title to a particular parcel of land.

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CFPB – Consumer Financial Protection Bureau. This governmental entity was charged with the task of integrating TILA and RESPA rules for certain consumer loans pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Claim - A right to assert, or the assertion of, a demand for payment of money due; or the surrender or delivery of possession of property or the recognition or some right. A demand for something as one's rightful due.

Closing – (1) Process by which all the parties to a real estate transaction conclude the details of a sale or mortgage. The process includes the signing and transfer of documents and distribution of funds. (2) Condition in description of real property by courses and distances at the boundary lines where the lines meet to include all the tract of land. **Texas Definition:** The investigation made on behalf of a title insurance company, title insurance agent, or direct operation before the actual issuance of the title policy to determine proper execution, acknowledgment, and delivery of all conveyances, mortgage papers, and other title instruments which may be necessary to the consummation of the transaction and includes the determination that all delinquent taxes are paid, all current taxes, based on the latest available information, have been properly prorated between the purchaser and seller in the case of an Owner's Policy, the consideration has been passed, all proceeds have been properly disbursed, a final search of the title has been made, and all necessary papers have been filed for record.

Closing Disclosure – Combines and replaces current HUD-1 Settlement Statement and final TIL (Truth-in-Lending) Disclosure. This form is a statement of final loan terms and closings costs and is required for use in certain types of loan transactions.

Commitment – A promulgated form issued by a title insurance company, or its agent, committing the title insurance company to issue the form of policy designated in the commitment upon compliance with and satisfaction of requirements set forth in the commitment.

Conditions & Restrictions –Set of rules, limitations, and restrictions that governs the use of real estate by a homeowners' association (HOA), a residential subdivision, a community association, or an individual property owner.

Consumer –An individual, partnership, corporation, or governmental agency who seeks or acquires by purchase or lease, any goods or services. Typically will be the borrower or buyer.

Consummation – A term used to decide when certain disclosures and timing must occur when using the TILA/RESPA Integrated Disclosure forms. Consummation occurs when the consumer becomes contractually obligated to the creditor on the loan, not for example, when the consumer becomes contractually obligated to a seller on a real estate transaction. The point in time when a consumer becomes contractually obligated to the creditor on the loan depends on applicable state law. It is not necessarily the same timing as closing or settlement.

Contract - A legally binding agreement between two or more persons or parties, to do or not to do a particular thing.

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Convey – The act of transferring an interest in property from one party to another.

Conveyance – (1) A document that transfers an interest in real property from one person to another; e.g., a deed. (2) The act of executing and delivering a deed or mortgage.

Date Issued – The date the TILA/RESPA Integrated Disclosures (Loan Estimate and Closing Disclosure) are delivered to the consumer.

Deed – A written instrument duly executed and delivered that conveys or transfers legal and equitable title to the property.

Deed of Trust – An instrument that creates a lien or encumbrance on property as security for a debt.

Disbursement Date – The date the amounts are to be disbursed to a consumer and seller in a purchase transaction or the date funds are to be paid to the consumer or a third party in a transaction that is not a purchase transaction.

eClosing (electronic closing)- An eClosing is the act of closing a mortgage loan electronically through a secure electronic environment where some of the closing documents are executed and accessed online. This is often a hybrid process in which certain key documents (e.g. Note, Deed, Security Instrument) are printed to paper and traditionally wet-signed while other documents are signed electronically.

eMortgage (electronic mortgage)- An eMortgage is a mortgage loan where the critical loan documentation, specifically the promissory note (eNote), is created electronically, executed electronically, transferred electronically and ultimately stored electronically. An “eClosing” produces an “eMortgage” only if the promissory note is signed electronically. Note: This can still include a traditionally wet-signed security instrument.

Endorsement – A form issued by the insurer which provides coverage limitations or additions that are attached to a title insurance policy.

Equal Credit Opportunity Act (ECOA) – A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity – (1) The interest or value which an owner has in real estate over and above the debts against it. (2) A type of court of record.

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eRecording (electronic recording) - the automated electronic recording system implemented by the county Clerk of Court or Recorder for the recordation of electronic documents in the land records. This is the process of submitting electronic documents to the county clerk or recorder, or other local authority, where they are received, examined, recorded, indexed, fees collected and returned to the submitter.

eSignature (electronic signature) - The Federal ESIGN Act defines an "electronic signature" as an electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. The UETA defines an Electronic signature as an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

Escrow – A procedure whereby a disinterested third party handles legal documents and funds on behalf of a seller and buyer and all others involved in the transaction, and delivers them upon performance by the parties.

Escrow Officer – An attorney, a bona fide employee of an attorney licensed as an escrow officer, a bona fide employee of a direct operation, or a bona fide employee of a title insurance agent whose responsibilities include: (A) countersigning title insurance forms; (B) supervising the preparation and delivery of title insurance forms; (C) signing escrow checks; or (D) closing the transaction, as described by Section 2501.006.

Et Al – And others.

Et Ux – And wife.

eVaulting (electronic vaulting)- For the limited occasions where electronically signed promissory notes are permissible, another challenge is ensuring the note remains electronic, i.e., eVaulting, must be utilized. eVaulting also requires successful and seamless transfers from lender to investor. (provide clarity vs. a definition, perhaps should replace with "A electronic location to hold by secure means an **eNote** that also allows for successful seamless transfer from lender to lender".

Examination of Title – The investigation and interpretation of the record title to real property based on the title search or abstract.

Examiner - Usually referred to, in title industry terms, as a title examiner. One who examines and determines the condition and status of real estate titles.

Examining- reviewing and interpreting the relevant information and putting it into the appropriate form.

FHA – Federal Housing Administration, an agency of the federal government which insures private loans for financing of new and existing housing and for home repairs under government approved programs.

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Freddie Mac – Federal Home Loan Mortgage Corporation (also FHLMC) is a stockholder owned corporation chartered by Congress that purchases mortgage loans.

Funded – All money received and disbursed, all required documents executed and ready to record (lender authorization as required).

Good Faith Estimate (GFE) - An estimate of closing costs the lender is required (under the federal Real Estate Settlement Procedures Act) to give to the buyer within at least three days of applying for a reverse mortgage loan. This is the lender's estimate - it must be completely accurate regarding the lender's own charges and is supposed to be reasonably close to the charges third-party providers such as title insurers/agents, attorneys, surveyors, etc., may charge. You should check with those third-party providers, however, regarding how much they will charge if you have any questions or concerns prior to settlement. GFE was replaced with the Loan Estimate ("LE") on October 3, 2015, with the exception of reverse mortgages.

Good Funds – Currently available funds, acceptable to the Title Company, as set out in Procedural Rule P-27.

Government Loan (Mortgage) – A mortgage that is insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Rural Housing Service (RHS). Mortgages that are not government loans are classified as conventional loans.

GLBA (Gramm Leach Bliley Act) – The Gramm-Leach-Bliley Act was enacted on November 12, 1999. In addition to reforming the financial services industry, the Act addressed concerns relating to consumer financial privacy. The Gramm-Leach-Bliley Act required the Federal Trade Commission (FTC) and other government agencies that regulate financial institutions to implement regulations to carry out the Act's financial privacy provisions (GLB Act). The regulations required all covered businesses to be in full compliance by July 1, 2001.

GNMA (Ginnie May) – Government National Mortgage Association, a government corporation which provides a secondary market for housing mortgages and special assistance to mortgagee financing housing under special FHA mortgage insurance programs.

Grantee – A party who acquires an interest in property by deed, grant, or other written instrument.

Grantor – A party who transfers an interest in property to another by a written instrument.

Homeowners' Association (HOA) – An association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements. May also be known as a Property Owners' Association or Condo Owners' Association.

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Homestead - A homestead is defined in Texas as the place of residence for a family or individual and is secure from forced sale by general creditors. Texas has two types of homesteads: urban and rural.

HUD-1/Settlement Statement – A form settlement (closing) statement required by the U.S. Department of Housing and Urban Development (HUD) where federally related mortgages are being made on residential properties. It is a balance sheet showing the source of funds and the distribution of funds in connection with the purchase and/or mortgaging of residential property. The HUD-1 was replaced by the Closing Disclosure (“CD”) on October 3, 2015, with the exception of reverse mortgages.

IC3 (Internet Crimes Complaint Center) – The mission of the Internet Crime Complaint Center is to provide the public with a reliable and convenient reporting mechanism to submit information to the Federal Bureau of Investigation concerning suspected Internet-facilitated criminal activity and to develop effective alliances with law enforcement and industry partners. Information is analyzed and disseminated for investigative and intelligence purposes to law enforcement and for public awareness.

Insurable Title - Title to property which a title insurance company is willing to insure.

Insurance – A contract of indemnity against specified perils.

Insured Closing Service Letter – Forms a contract between a title insurance underwriter and a lender, in which the underwriter agrees to indemnify the lender for actual losses caused by certain kinds of misconduct by the settlement agent. Also known as a Closing Protection Letter, Insured Closing and Settlement Letters, CPL, ICL. See Procedural Rule P-67.

Knowledge Based Authentication (KBA)- uses third party databases (typically credit bureaus) to verify the identity of the signatory. For example, the signer may have to provide his Social Security number, which then triggers the KBA to generate questions related to the signer’s personal history that third parties are unlikely to know, such as previous addresses. Government agencies and financial institutions already rely on KBA (e.g., VitalCheck) to verify people’s identities.

Lender – A term which can refer to the institution making the loan or to the individual representing the firm.

Lien – A claim or charge on property of another for payment of some debt, obligation, or duty.

Lis Pendens – A recorded legal notice that there is litigation pending relating to the ~~land~~ property and a warning that anyone obtaining an interest subsequent to the date of the notice may be bound by the judgment.

Loan Estimate – “LE” – New form for use as of October 3, 2015. This form replaces the current Good Faith Estimate (GFE) and initial Truth in Lending (TIL) forms. It is an initial disclosure to the consumer of the estimated costs and terms of their contemplated loan transaction.

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Loan Officer – Also referred to by a variety of other terms, such as lender, loan representative, loan “rep,” account executive, and others. The loan officer is employed by a bank or independent lender to assist borrowers in applying for a loan or mortgage. Loan officers may also serve several functions and has various responsibilities: they solicit loans, they are representative of the lending institution, and they represent the borrower to the lending institution.

Loan Policy of Title Insurance – A form of title insurance policy which insures the validity, enforceability and priority of a lender's lien. This form does not provide protection for the owner.

Loan Title Policy Binder on Interim Construction Loan (Interim Binder) – An enforceable agreement that upon satisfaction of the requirements which are stated in the binder the insurer will issue the specified title insurance policy subject only to the exceptions stated in the binder.

Loan-to-Value (LTV) – The percentage relationship between the amount of the loan and the appraised value or sales price (whichever is lower).

M.E.R.S – Mortgage Electronic Registration Systems (“M.E.R.S.”). M.E.R.S. is a national electronic database that tracks changes in mortgage servicing rights and beneficial ownership interests in loans secured by residential real estate

Mechanic's Lien – A statutory or constitutional lien or claim of lien filed on property by general contractors, subcontractors, laborers, material suppliers, specialty material fabricators, or design professionals for unpaid work performed or materials supplied.

Metes and Bounds – A description of a parcel of land by describing the boundary lines in length and direction.

Minimum Basic Rate - The lowest promulgated rate as shown on the Texas Title Insurance Premium Rates chart as determined by the Texas Department of Insurance.

MISMO – Mortgage Industry Standards Maintenance Organization – Sets standards of how to format data sent to another party for both residential and commercial property transactions in US Markets.

Mortgage – In Texas it is known as a Deed of Trust. (See Deed of Trust).

NPI (Nonpublic Personal Information) – NPI is any "personally identifiable financial information" that a financial institution collects about an individual in connection with providing a financial product or service, unless that information is otherwise "publicly available." Also known as NPPI.

Note – A written promise to pay a certain amount of money, plus interest at a specified rate, at a certain time, and in a certain number of installments.

Owner's Policy – A title insurance policy insuring the owner against loss due to any covered defect of title not excepted to or excluded from the policy.

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Phishing – Phishing is a form of fraud in which an attacker masquerades as a reputable entity or person in email or other communication channels. The attacker uses phishing emails to distribute malicious links or attachments that can perform a variety of functions, including the extraction of login credentials or account information from victims.

PITI - This stands for principal, interest, taxes and insurance. If you have an "impounded" loan, then your monthly payment to the lender includes all of these and probably includes mortgage insurance as well. If you do not have an impounded account, then the lender still calculates this amount and uses it as part of determining your debt-to-income ratio.

Plat (of Subdivision) – A map representing a piece of land subdivided into lots with streets and other matters affecting the subdivision.

Plat (of Survey) – A map of land made by a surveyor showing boundary lines, buildings, and other improvements on the land.

PMI – Private Mortgage Insurance. An insurance contract which insures that the named lender will recover a specified percentage of the loan amount from the insurer in the event the loan goes bad. Many lenders require this on higher percentage loans.

Policy – A written contract of title insurance.

Premium - (1) The amount payable for an insurance policy. (2) A sum of money or bonus paid in addition to the regular price. **Texas Title Insurance:** The premium rates promulgated by the commissioner under Subchapters D and E, Chapter 2703, and includes a charge for: (A) title examination and closing the transaction, regardless of whether the examination or closing is performed by an attorney; and (B) issuing the policy.

Principal - The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Probate - The process in which a court legally recognizes a person's death and oversees the payment of a deceased person's debts and the distribution of their assets.

Procedural Rule –Rules promulgated by the Texas Department of Insurance which addresses a variety of procedures and commonly referred to as P-1, P-2, etc. Some rules set out the circumstances under which certain rate rules or forms are to be used and others set out guidelines or restrictions of certain business activities or practices.

Promulgate – (1) To publish; (2) To put into effect by publishing its terms; to establish or decree as the official version. In the title insurance industry in Texas, usually used in reference to the policy forms and other rules established by the Texas Department of Insurance.

Rate Rules –Rules promulgated by the Texas Department of Insurance which set the rates listed in the Texas Title Insurance Basic Manual and commonly referred to as R-1, R-2, etc.

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Real Estate Agent - A person licensed to negotiate and transact the sale of real estate.

Real Property – Land, together with fixtures, improvements and appurtenances.

Realtor® – A federally registered collective membership mark which identifies a real estate professional who is a member of the National Association of Realtors® and subscribes to its strict Code of Ethics.

Recording – The noting in the designated public office of the details of a properly executed legal document such as a deed or mortgage, thereby making it a part of the public record, and thus by law imparting constructive notice of that document to the public.

REIT – Real Estate Investment Trust, a business trust which deals principally with interest in land. REITs generally are strictly organized to conform to the requirements of provisions of the Internal Revenue Code which give tax advantages to conforming REITs.

Remote Online Notarization (RON) – When documents are notarized in an electronic form where the signer uses an electronic signature and appears before the notary using online audio-video technology. Simply put, you can connect with a notary anywhere, anytime, without physically needing to meet them.

RESPA – The Real Estate Settlement Procedures Act (12 U.S.C. 2601) which, together with Regulation X promulgated pursuant to the Act, regulate real estate transfers involving a “federally related mortgage loan by requiring, among other things, certain disclosures to borrowers.

Search - In title industry terms, a careful exploration and perusal of the public records in an effort to find all recorded instruments relating to a particular chain of title.

Settlement Agent – Party responsible for ensuring compliance with regulation as it applies to facilitating, closing and disbursing a real estate transaction. A title company, real estate attorney, closing company, etc. are all terms used interchangeably to describe Settlement Agents. See Title Insurance Agent.

Settlement Statement – See HUD-1/Settlement Statement

Spoofing – Spoofing, in general, is a fraudulent or malicious practice in which communication is sent from an unknown source disguised as a source known to the receiver. Spoofing is most prevalent in communication mechanisms that lack a high level of security.

Survey – The process of measuring land to determine its size, location and physical description and the resulting drawing or map.

Texas Limited Coverage Residential Chain of Title Policy – Title Policy issued with respect to deeds and leases recorded in the public records in the period not exceeding sixty (60) months immediately preceding the Date of Policy. (Form T-53, Procedural Rule P-7, Rate Rule R-35)

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TDI – Texas Department of Insurance – regulates the business of insurance in Texas for consumer protection, licenses title agents and companies and promulgates title insurance rates, rules and forms. www.tdi.state.tx.us

TIL – Truth in Lending – Disclosure form required to disclose various terms to the consumer regarding the costs over the lifetime of their loan. The most important aspects of the form concern the pieces of information that must be disclosed to a borrower prior to extending credit: annual percentage rate (APR), term of the loan and total costs to the borrower.

TILA – Truth in Lending Act – A federal law enacted in 1968 with the intention of protecting consumers in their dealings with lenders and creditors. TILA was implemented by the Federal Reserve through a series of regulations.

TIP – Total Interest Percentage – The total amount of interest the borrower will pay over the loan terms as a percentage of the loan amount.

Title – The evidence of right which a person has to the ownership and possession of land. Commonly considered as a history of rights.

Title Company - A company that specializes in examining and insuring titles to real estate.

Title Examination - The search and examination of a title to determine the conditions of the title to be insured and to evaluate the risk to be undertaken in the issuance of a title insurance policy or other title insurance form.

Title Insurance – Insurance against loss or damage resulting from defects or failure of title to a particular parcel of real property. **Texas Title Insurance:** A) insurance that insures, guarantees, or indemnifies an owner of real property, or another interested in the real property, against loss or damage resulting from: (i) a lien or encumbrance on or defect in the title to the real property; or (ii) the invalidity or impairment of a lien on the real property; (B) personal property title insurance, as defined by Chapter 2751; or (C) any business that is substantially equivalent to the insurance described by Paragraphs (A) and (B) and is conducted in a manner designed to evade the provisions of this title.

Title Insurance Agent - A person, firm, association or corporation owning or leasing and controlling an abstract plant or as a participant in a bona fide joint abstract plant operation and authorized in writing by a title insurance company to solicit insurance and collect premiums and to issue or countersign policies on the company's behalf.

Title Insurance Company - (A) a domestic company organized under this title to engage in the business of title insurance, as described by Section 2501.005; (B) a foreign title insurance company that: (i) meets the requirements of this title; and (ii) holds a certificate of authority to engage in business in this state; or (C) any other domestic or foreign company that: (i) meets the requirements of this title; and (ii) holds a certificate of authority to insure a title to real property in this state.

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Title Plant – The total facilities (records, equipment, fixtures, and personnel) required to function as a title insurance operation. Technically, the organization of official records affecting real property into a system which allows quick and efficient recovery of title information.

Title Policy – Any contract of title insurance, the form for which is prescribed by the Commissioner.

Title Search – An examination of public records, laws, and court decisions to disclose the current facts regarding ownership of real estate.

TLTA – Texas Land Title Association – A statewide trade association representing the title insurance industry in Texas. Founded in 1908 and serving a membership of over 2700, we provide regulatory and legislative advocacy, continuing education and up-to-date information in keeping with our mission to enhance and protect the industry. www.tlta.com

Tolerance – The amount or range at which a certain loan charge can or cannot change at the time of settlement.

Total of Payments – Total amount paid after payment of all payments of principal, interest, mortgage insurance and loan costs as scheduled.

TRID – TILA/RESPA Integrated Disclosures – A reference to the new forms in use as of October 3, 2015 for certain types of loans. Specifically refers to the Loan Estimate and Closing Disclosure forms.

Underwriter – An insurance company which issues insurance policies either to the public or to another insurer.

Variable Rate Mortgage – A mortgage loan with the interest rate on the note periodically adjusted based on an index which reflects the cost to the lender of borrowing on the credit markets OR a type of loan in which the interest rate is not fixed.

Variations – Previously known as tolerances. See definition for tolerance.

Warranty – A promise by the grantor of real property that he or she is the owner and will be responsible to the buyer if title is other than represented.

Written List of Providers – A written list of service providers given to the consumer by the creditor or mortgage broker for a settlement service provider that the consumer is permitted to shop for.