



# Read a Preliminary Title Report and Understanding the Limitations of Preliminary Title Reports

Kamin Kamali

📅 June 25, 2024

## Summary

Address with your client how to read a preliminary title report and understand its limitations when conducting real estate due diligence. We completed legal editing and analysis of authorities cited here as of the date listed above.

## Step 1: Understand the Purpose of a Preliminary Title Report

The preliminary title report is an offer to insure title in the manner in which title is held as of the date of the preliminary report. (*Lee v. Fidelity Nat. Title Ins. Co.* (2010) 188 Cal.App.4th 583; Ins. Code, § 12340.11.) In California, the preliminary title report is typically issued after an application for title insurance is submitted to a title insurer (*i.e.*, Fidelity, National, First American, LandAmerica, Stewart Title, or Chicago Title). It provides a roadmap to reach the issuance of a policy at closing.

The preliminary title report, along with copies of documents it provides, is pivotal in your due diligence process because it can inform parties to prospective real estate transactions about the state of the title, allowing you to plan and structure transactions accordingly. (See *Bank of California, N.A. v. First Am. Title Ins. Co.* (Alaska 1992) 826 P.2d 1126.) Therefore, any defects or issues the report identifies should be addressed before the final title insurance policy is issued. (*Lee v. Fidelity National Title Ins. Co.*, *supra*, 188 Cal.App.4th at p. 583.)

## Step 2: Review Sections of the Preliminary Title Report

Although the format of a preliminary title report can vary depending on the title insurance company, it generally includes the following sections:

- Cover page or introduction;
- Schedule A (covering property information);

- Schedule B (covering risks and exceptions);
- Requirements (i.e., conditions for the policy to issue);
- Notes, comments, and arbitration;
- Exclusions; and
- A plat or assessment map.

## A. Cover Page or Introduction

The first section is the coverage page, which has the basic information about the report, including:

- The name of the title company;
- The title officer's contact information;
- A reference number;
- The property address; and
- The date of the report.

The date on the report is considered the "effective date," which means that the preliminary title report covers only information and issues that were recorded or known up to the effective date. Any transactions, claims, or defects that arise after this date are not reflected in the report and would not be covered by the preliminary findings.

## B. Schedule A

Schedule A outlines several key elements:

- The proposed form of policy of title insurance the report contemplates;

### ■ Example

*The form of policy or policies of title insurance contemplated by this report is: CLTA Standard Coverage Policy – 1990. A specific request should be made if another form or additional coverage is desired.*