



Title Terms

If real estate lingo tends to make your eyes glaze over, know that you're not alone. For many people, the terminology used during the process of buying or selling a home might as well be an alien language.

Here's a list of title terms to know for when you establish first contact with your agent or closer...

1. Chain of Title

The history of recorded ownership transfers for a property. Title companies review this to confirm ownership transfers over time.

2. Closing Statement

A document provided at the end of the transaction that shows all costs, credits, and payments for both buyer and seller. Common versions include the Closing Disclosure (CD) for most financed transactions, the HUD-1 Settlement Statement for most cash or non-residential deals, and/or the ALTA Settlement Statement, which title companies often use for a standardized breakdown of closing costs.

3. Cloud on Title

An issue, error, or claim that creates uncertainty about who legally owns the property. Common examples include unreleased liens, name discrepancies, or filing mistakes.

4. Deed

The legal document that transfers ownership of a property from one person or entity to another. It includes the names of the parties, consideration, and a legal description of the property.

5. Deed of Trust

A document used to secure a loan with real estate as collateral. It involves the borrower, lender, and a third-party trustee who acts on behalf of the lender in the event of a foreclosure.

6. Deed Restrictions

Rules recorded in the deed that limit how a property can be used, such as restrictions on home design, fences, or business activity. These restrictions remain with the property through future sales.

7. Earnest Money

A deposit made by the buyer to show serious intent to purchase. The contract instructs the parties on how it is delivered, and in most cases, it is held by the title company and applied to the final purchase price. If the buyer defaults, the seller may have the right to keep it.

8. Escrow

A neutral process in which the title company holds funds and documents until all contract conditions are met. Escrow ensures no money or property changes hands until everything is ready to close. In Texas, escrow services are usually handled by the title company.

9. Legal Description

A formal description of the property's exact location and boundaries. It appears in the deed and is different from a street address. Depending on the type of property, different methods are used to create a legal description and include survey maps, metes and bounds descriptions, plats and condominium declarations.

10. Lien

A legal claim against a property for unpaid debts like taxes, mortgages, or contractor services. All liens must be resolved before ownership can be transferred.

11. Option Money

A non-refundable fee paid by the buyer for the right to terminate the contract during the option period. The contract instructs the parties how it must be delivered and receipted, and is typically credited toward the sales price if the deal closes.

12. Survey

A map prepared by a licensed surveyor that shows property boundaries, structures, fences, and easements, along with any existing improvements. A survey is often required by lenders or title companies to confirm that there are no boundary or encroachment issues, so that the requested title insurance coverage can be applied to a title insurance policy.

13. Title

The legal right to own, use, and transfer a property. It shows who has legal ownership and must be free of issues or claims before a sale can be finalized.

14. Title Commitment

A preliminary report from the title company that outlines what will be covered under the title insurance policy, including any exceptions, and issues that must be resolved before closing.

15. Title Insurance Policy

A one-time insurance policy issued at closing that provides coverage to the buyer and/or lender from financial loss due to past issues with ownership, liens, or legal defects not found during the title search. The title insurance policy is a contract between the insured and the underwriter.