

# Preliminary Report

# Sample



**SOUTHLAND TITLE**

<http://www.southlandtitle.com>

# Sample Preliminary Report

A preliminary report is a signed and dated formal report which sets out in detail the discovered condition of title on a particular piece of land.

Within a short time after a title order has been opened, all of the existing matters of record, relative to the title on the subject property, are assembled in the title search and examined by skilled technicians. At this time the preliminary report is prepared and sent to the customer. The report reflects the existing condition of title so that parties to the transaction will become aware of matters of record that affect the title. This report is issued before the title policy—hence the name **Preliminary Report**.

Those matters shown in the report are as follows:

1. The estate or interest covered.
2. The record owner of the estate or interest.
3. The parcel of land involved.
4. The exceptions, liens and encumbrances which affect the land at the date and time of the report.

The information discussed in this report is for education purposes... this is only a **SAMPLE REPORT**.



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# Explanation Page

- (1) Name and address of the customer requesting the Preliminary Report (normally an escrow or lender).
- (2) Name of individual that opened the title order (normally escrow officer or secretary).
- (3) Escrow number and our title order number (Southland Title's identification number).
- (4) This is the effective date of our investigation of the title records or, the date and time which matters affecting the title have been examined (any items affecting title which are recorded after this date will be submitted by a supplemental report).
- (5) The next two paragraphs state that Southland Title is prepared to issue a policy of the title insurance and the general scope of the insurance.
- (6) This paragraph states that the preliminary report is for title insurance purposes only, with no other liability unless specifically requested.
- (7) This paragraph states that it is important to read all of the exceptions and exclusions.
- (8) This is the form (type) of policy requested.
- (9) Title officer's name. This is the person to contact directly with questions about the report.



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# SOUTHLAND TITLE

7530 N. Glenoaks Blvd. · Burbank, CA 91504  
Phone : (818) 767-2000

3) Escrow No.: 00100  
Order No.: 277777.9

1) Great Day Escrow Company  
100 N. Happy Way  
Lucky Town, CA 91361

2) Attention: Sunny

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4) Date as of August 1, 2001 at 7:30 A.M.

## “PRELIMINARY REPORT”

5) In response to the above referenced application for a policy of the title insurance, SOUTHLAND TITLE hereby reports that is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception in “Schedule B” or is excluded from coverage pursuant to the printed schedules, conditions and stipulations of said policy forms.

The printed exception and exclusions from the coverage of said policy or policies are set forth in the attached list. Copies of the policy forms should be read. They are available from the office which issued this report.

6) This report (and any supplements or amendments thereto) is issued solely for the purpose of facilitating the issuance of a policy of Title Insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a binder or commitment should be requested.

7) Please read carefully the exceptions shown or referred to below and the exceptions and exclusions set forth in this report. The exceptions and exclusions are meant to provide you with notice of matters that are not covered under the terms of the Title Insurance Policy and should be carefully considered. It is important to note that this Preliminary Report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

8) The form of policy of the Title Insurance contemplated by this report is:

California Land Title Association Homeowner’s Policy  
American Land Title Association Loan Policy

9) SOUTHLAND TITLE  
ROY BOYLES, TITLE OFFICER  
Fax: (818) 768-8159

# Schedule A – Explanation Page

- (10) Type of estate. (The word “estate” is used to express the degree, quantity, nature, duration, or extent of an interest in land). In this case, the ownership is “FEE” or “ABSOLUTE” which is the highest type of interest an owner can have – freely transferable, inheritable, and whose owner is entitled to possession. (Other types of estates are leasehold, life estates, equitable estates of vendees under land sales contracts, etc.).
- (11) This shows the owner of record and how they hold title (vesting). The type of vesting determines the degree of title rights to and use of the land.
- (12) This paragraph contains the legal description of the property of be insured.



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# Schedule A

Order No.: 277777.9

- 10) The estate or interest in the land hereinafter described or referred to covered by this report is:  
A Fee
- 11) Title to the said estate or interest at the date hereof is vested in:  
John Smith and Mary Smith, Husband and Wife as Joint Tenants
- 12) The land referred to in this report is described as follows:  
Lot 14 of Tract No. 12345, in the City of Los Angeles, in the County of Los Angeles, State of California, as per Map Recorded in Book 123 Page(s) 1 and 2 of Maps, in the Office of the County Recorder of Said County.

Sample

# Schedule B – Explanation Page

- (13) The items following are the listed exceptions to insurance coverage (any transfer of this property will be subject to these items). There are charges, liens, encumbrances and clouds upon the title which must be considered by the lender in determining the value of his security, or by the buyer in determining acceptable condition of title.
- (14) Items A through F — Taxes! The county annually assesses every parcel of land within its boundaries. The County Tax Assessor makes this determination. It is the job of the County Tax Collector to bill and collect these tax amounts. Property taxes, authority for which has been created by the State Legislature, impose a lien which is superior to all other liens or encumbrances, except for those of the Federal government. Although taxes become due and payable on November 1st of each year, the lien is actually created on January 1st of the same year, as indicated by Item A.
- (15) Item B — This is the amount of taxes for the current fiscal year. These amounts must be paid by the delinquent date of December 10th for the first installment and by April 10th for the second installment. All of these amounts have been paid for the current year. The amounts being shown are for the purposes of proration or impound, if necessary.
- (16) Item C — This is a tax sale, which means the owner failed to pay the prior year's taxes. The owner has 5 years to pay the delinquent taxes including penalty and interest, which to this date is the amount shown here.
- (17) Item D — Bonds or assessments levied at the inception of construction of improvements (i.e., streets, gutters, sidewalks, sewers, etc.) are shown here which are normally paid at the close of escrow.
- (18) Item E — Effective on July 1, 1983, the Governor signed into law Senate Bill 813, Chapter 498, implementing a supplemental tax roll for changes of ownership or completion of improvements occurring after the date of March 31st, when the cut-off is made for reassessing for the next fiscal year. The resulting exception to title now shows on all preliminary title reports as "any supplemental taxes which may be assessed by reason of the new Chapter."
- (19) Item F — This is self explanatory. However, it often arises when a borrower/seller has already paid taxes but the records fail to reflect it. Instead of creating a double-payment, we will hold monies until the taxes show paid and return the monies held to the borrower/seller.
- (20) Item G — Refers to any special assessments which may exist as a result of filing of assessments maps or notices such as "Mello Roos."



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# Schedule B

Order No.: 277777.9

13) At the date hereof, exceptions to coverage in addition to the printed exceptions and exclusions in the policy form designated on the face page of this report would be as follows:

14) A. Property taxes, including any assessments collected with taxes, to be levied for the fiscal year 2001-2002 which are a lien not yet payable.

15) B. Property taxes for the fiscal year shown below are paid. For proration purposes the amounts are:

Fiscal Year: 2000 - 2001

1st Installment: \$779.68

2nd Installment: \$779.67

Exemption: \$7,000.00 Homeowners

Land: \$68,000.00

Improvements: \$85,000.00

Personal Property: \$0

Code Area; 4

Assessment No.: 5804-021-045

16) C. As sale to the State of California for general and special taxes and subsequent delinquencies for the

Fiscal Year: 97 - 98

Taxing Authority: County of Los Angeles

Amount to Pay Prior to: July 31, 2001, \$7,891.50

17) D. An assessment by the improvement district shown below

Assessment/Bond No.: 484

Series: 5

District: Mission Boulevard Lighting District

For: Lighting

Bond Issued: January 2, 1988

Original Amount: \$485.48

All amounts due to date have been paid. Amount to pay said bond in full, prior to October 1, 1996, \$364.55

18) E. Supplemental or escaped assessments of property taxes, if any, assessed pursuant to the Revenue and Taxation Code of the State of California.

19) F. If SOUTHLAND TITLE CORPORATION is asked to hold money for any taxes shown above, a satisfactory indemnity along with written consent by borrower/seller and or lender MUST be submitted prior to closing. Please contact your title officer for the appropriate forms.

20) G. Assessments, if any, for community facility districts affecting said land which may exist by virtue of assessment maps or notices filed by said districts.

# Schedule B – Explanation Page

## continued

From this point on, the exceptions are shown in chronological sequence according to their recording priority.

- (21) Item 1 — Covenants, conditions and restrictions are generally placed on property by a subdivider so that the area being subdivided will be consistent with his general plan of development. These restrictions impose impediments, limitations, or prohibitions with respect to the use of the property and the character of the improvements.
- (22) Item 2 — Easements are “limited” rights in the land of another, entitling the holder of the right to some use or privilege. In this case, the Southern California Edison Company has the right to install and maintain a pole or pole lines only over the rear five feet of the property.
- (23) Item 3 — A deed of trust is a three party security document conveying title to land as security for the performance of an obligation. In this case, the bank probably loaned Mr. and Mrs. Smith (the trustors) the money to buy the property covered by this “report.” Should the trustors fail to make the payments on the loan, the beneficiaries (the bank who loaned the money) may declare the note all due and payable and foreclose by forcing a sale of the property. The foreclosure proceedings are handled by the trustee who is named in the deed of trust.
- (24) Item 4 — This also is a deed of trust, but note that the beneficiaries are individuals. Most likely, they were the parties who sold the property to Mr. and Mrs. Smith. This is called a “purchase money deed of trust” and is used to make up the difference between the cash paid and the first deed of trust.
- (25) The debt secured by any deed of trust can be sold like any other commodity. When it is sold, the “note” is endorsed to the party who bought it and a document referred to as an “Assignment of Deed of Trust” is recorded. The person selling the indebtedness is called the “assignor” and the party buying the note is called the “assignee”. The assignee has the same rights to foreclose as the original beneficiary.



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- 21) 1. Covenants, conditions and restrictions (deleting therefrom any restrictions based on race, color, or creed) as set forth in the document recorded:  
January 1, 1967 as Instrument No. 1008  
Said convenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.
- 22) 2. An easement for the purpose shown below and rights incidental thereto as set forth in a document  
Granted to: Southern California Edison Company, A Corporation  
Purpose: Public Utilities  
Recorded: January 1, 1967 as Instrument No. 3005  
Affects: Rear 5 Feet of Said Land
- 23) 3. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:  
Amount: \$175,000.00  
Dated: February 26, 1990  
Trustor: John Smith and Mary Smith, Husband and Wife  
Trustee: Recon Service, A Corporation  
Beneficiary: IOU Bank, A Corporation  
Recorded: February 29, 1990 as Instrument No. 90-54321, Official Records
- 24) 4. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:  
Amount: \$15,000.00  
Dated: February 27, 1990  
Trustor: John Smith and Mary Smith, Husband and Wife  
Trustee: Recon Service, A Corporation  
Beneficiary: John H. Brown and Helen Brown, Husband and Wife as Joint Tenants  
Recorded: February 29, 1990 as Instrument No. 90-54322, Official Records  
Said deed of trust recites that it is subordinate to the deed of trust recorded concurrently therewith.
- 25) An assignment of the beneficial interest under said deed of trust which name as  
Assignee: Beneficial Bank Limited, A Corporation  
Recorded: June 31, 1990 as Instrument No. 90-98765, Official Records

# Schedule B – Explanation Page

## continued

- (26) Item 5 — A judgment is a determination by a court of law concerning the right of the parties in the action. The lien of the judgment is created when the abstract of judgment is recorded ordering the payment of money. This judgment is against the owner of the property in question. If the judgment is not paid, the judgment creditor may instruct the Marshall to levy against the real property. This means that the Marshall may force the sale of the property to pay the judgment creditor through an execution sale. Therefore, the judgment should be paid before any loan is made or the property is sold.
- (27) Item 6 — This lien was created by the failure of Mr. and Mrs. Smith to pay their Federal Income Taxes. The State of California also has the option to record a tax lien for failure to pay state income tax. The Internal Revenue Service has the option of forcing the sale of real property to satisfy the debt created by the recording of the tax lien, although this is not frequently done. It is the debt of the owner of the subject property and it must be paid before a loan is made or the property sold.
- (28) Item 7 — This item is generally the most misunderstood, since the Statement of Information contains personal questions concerning the parties to the escrow, i.e., former marriages, former addresses, employment, birthdate, Social Security Numbers, etc. The Title Company needs this information to determine whether or not documents placed on record affect the parties to the escrow. It is used in an effort to eliminate items of record against persons of same or similar names. This is particularly needed if the names are common. All of the information is held confidential and is not used for any purpose other than determining the insurability of the parties.



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- 26) 5. An abstract of judgment for the amount shown below and any other amounts due

Debtor: John Smith and Mary Smith  
Creditor: Building Material, Inc.  
Date Entered: March 18, 1990  
County: County of Los Angeles  
Court: Municipal Court  
Case No.: 123456  
Amount: \$1,250.00  
Recorded: May 31, 1990 as Instrument No. 90-65432,  
Official Records

Attorney for judgment creditor:  
John Block  
3333 Smith Street  
Los Angeles, California 90000

- 27) 6. A tax lien for the amount shown and any other amounts due, in favor of the United States of America, assessed by the District Director of Internal Revenue

Federal Serial No.: 12345  
Taxpayer: John Smith and Mary Smith  
Amount: \$800.00  
Recorded: September 1, 1990 as Instrument No.  
90-123456, Official Records

- 28) 7. We will require a Statement of Information from the parties named below in order to complete this report based on the effect of documents, proceedings, liens, decrees, or other matters which do not specifically describe said land, but which, if any do exist, may effect the title or impose liens or encumbrances thereon.

PARTIES: ALL PARTIES

(Note: The Statement of Information is necessary to complete the search and examination of title under this order. Any title search includes matters that are indexed by name only, and having completed the Statement of Information assists the company in the elimination of certain matters which appear to involve the parties but in fact affect another party with the same or similar name. Be assured that the Statement of Information is essential and will be kept strictly confidential to this file.)

# LENDER SUPPLEMENTAL REPORT

## Explanation Page

When there is an A.L.T.A. Lenders Policy ordered in connection with a typical transaction that involves an institutional lender, a “Lenders Supplemental Report” will be delivered with the preliminary report. The purpose of the report is to reflect the property location (common address, area and/or city and structure) as well as recent transfers (last 6 months).

- (29) The supplemental report may be delivered with the preliminary report or it can be separately forwarded at a later date before the close of escrow.
- (30) Item 1 — Provides lender with assurance as to designation, street address and improvement located on subject property.
- (31) Certain savings and loans, prior to making a loan, must investigate the sales price of any sale (i.e., a paper transaction for purposes of inflating the valuation in order to obtain a larger loan) made within six months prior to their anticipated loan. Therefore, they must obtain recorded information of deeds or any transfers within that period.



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# SOUTHLAND TITLE

7530 N. Glenoaks Blvd. · Burbank, CA 91504  
Phone : (818) 767-2000

Attention:

Your No.: 00100  
Our No.: 277777.9

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29) Dated as of August 8, 2001 at 8:00 A.M.

## LENDERS SUPPLEMENTAL REPORT

The above numbered report (including any supplements thereto) is hereby modified and/or supplemented in order to reflect the following additional items relating to the issuance of an American Land Title Association form policy as follows:

30) 1. None of the items shown in this report will cause the company to decline to attach CLTA endorsement form 100 to an ALTA loan policy, when issued.

There is located on said land

A single family residence

Known as:

17255 Happy Day Lane  
(Sand Creek Area)  
Los Angeles, California

31) 2. The only conveyances affecting said land, which recorded within 6 months of the date of this report, are as follows: NIL

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Title Officer, Roy Boyles

# Note – Explanation Page

- (32) This section is reserved for our wire instructions and disbursement procedures.



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# Requirements – Explanation Page

- (33) This section is reserved for additional requirements such as statements of information, trust agreements, operating agreements, etc. Always check this area and call your title officer if there are any questions.



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- 33) Requirement No. 1: The Company will require a Statement of Information from the parties named below in order to complete this report, based on the effect of documents, proceedings, liens, decrees, or other matters which do not specifically describe said land, but which, if any do exist, may affect the title or impose liens or encumbrances thereon.

Parties: All Parties

(Note: The Statement of Information is necessary to complete the search and examination of title under this order. Any title search includes matters that are indexed by name only, and having a completed statement of information assists the Company in the elimination of certain matters which appear to involve the parties but, in fact, affect another party with the same or similar name. Be assured that the Statement of Information is essential and will be kept strictly confidential to this file.)

Requirement No. 2: The Company will require that it be provided with the following with respect to the California limited liability company named below:

- A. A copy of its operating agreement and any amendment thereto;
- B. A certified copy of its articles of organization (LLC-1), any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles or organization (LLC-10); and
- C. A copy of the current Statement of Information form (LLC-12) filed with the Secretary of State.

Limited Liability Company: Braemar-Tarzana LLC.

Requirement No. 3: The Company will require that, upon completion of the improvements under construction on the land, a Notice of Completion be recorded in the office of the County Recorder.

# Plat Map – Explanation Page

- (34) This page is a map of the property covered by the report. It shows the streets upon which the property fronts as well as the surrounding streets. Also, it gives the tract number and the recording book and page of the tract map. The map should be carefully reviewed because this is the property that is being purchased or borrowed upon. Caution should be made, however, in using the plat for any purpose for which a survey would be appropriate. Note the warning on the map. It is for use in locating the property relative to streets and adjoining property only, not for lot size or dimensions. It is not a plat or a survey. Also, no liability is assumed by attachment of this map.



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# List of Preprinted Policy Exclusions and Exceptions

- (35) These last pages are the preprinted exclusions and exceptions for the most common policies. These are the standard terms of the policies which limit coverage. Read them carefully and if you have any questions contact the title officer or the advisory staff.

Note: If the policy requested is not shown, request a copy of the exclusions or any preprinted exceptions to be included in your policy.



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