

## ANATOMY OF A LOAN POLICY

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### THE LOAN POLICY CONSISTS OF THREE PARTS:

- 1) A policy jacket which contains:
  - a) Covered Risks,
  - b) Exclusions from Coverage; and
  - c) Conditions.
- 2) Insert pages which are segregated into two parts:
  - a) Schedule A
  - b) Schedule B [Note: some policies may also contain a Schedule B, II]
- 3) Endorsements

### SCHEDULE A

Schedule A provides basic information regarding the transaction. The details included in Schedule A are as follows:

1. Policy number
2. Effective date of policy
3. Amount of insurance provided by the policy. This is usually the same as the loan amount.
4. Insured Party - Lender and its successors and assigns.
5. Describes the type of real estate being insured. This is usually fee simple but can be leasehold or other forms of ownership.
6. Indicates the record owner(s) of the interest being insured. (Should be the same people who signed the Deed of Trust to be insured.)
7. Describes the instrument(s) being insured. Typically describes the deed of trust and may also describe an assignment.
8. Describes the land being insured. In some cases the property is described by an attachment to the policy.

### SCHEDULE B

In Schedule B, the title insurer sets forth **Exceptions From Coverage** (specific defects, liens, or encumbrances) which are applicable to the title being insured. Schedule B of the Loan Policy typically includes exceptions for the following items:

1. Taxes, dues and assessments for the current year, not yet due and payable
2. Restrictive covenants
3. Easements and/or rights of way
4. Survey matters
5. Superior lien(s), if any.

*If* the Loan Policy has a Schedule B, Part II it will contain exceptions as to encumbrances that the Title Company is willing to insure are subordinate to the insured deed of trust. Typical subordinate matters may include UCC Financing Statements and Deeds of Trust for which subordination documents have been recorded. These subordinate items might also appear in Schedule B, but will be identified as subordinate matters rather than exceptions to title.