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To: Clients and Friends

From: David F. Dulock

Subject: Gap Coverage under Texas Loan Policies of Title Insurance

Based on recent inquires by several of our clients, this memorandum is to advise that the following gap coverage for loans closed on Texas properties is available under Loan Policy of Title Insurance (Form T-2, [click here](#)) and Texas Short Form Residential Loan Policy of Title Insurance (Form T-2R, [click here](#)), as applicable.

Under Covered Risk 14, the “Covered Risks” section of Form T-2, in pertinent part, states:

“SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, ... the “Company” insures, as of Date of Policy and, to the extent stated in Covered Risks ... 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of: ... 14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.”

Form T-2R incorporates by reference the above gap coverage of Form T-2 by the following statement:

“SUBJECT TO THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B BELOW, AND ANY ADDENDUM ATTACHED HERETO, ... THE “COMPANY,” HEREBY INSURES THE INSURED IN ACCORDANCE WITH AND SUBJECT TO THE TERMS, EXCLUSIONS, AND CONDITIONS SET FORTH IN THE LOAN POLICY OF TITLE INSURANCE (FORM T-2) PRESCRIBED BY THE TEXAS COMMISSIONER OF INSURANCE AND IN EFFECT AT DATE OF POLICY, ALL OF WHICH ARE INCORPORATED HEREIN.”

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