



KRIMAT FINANCIAL LEARNING CENTER

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TITLE REPORT: 13 THINGS YOU MUST KNOW IN 2023

If you're buying and selling property, you'll encounter a lot of important documents, but among the most critical is the title report.

1. WHAT IS A TITLE?

A title refers to the legal rights of ownership.

Ownership is represented by a legal document like the deed, bill of sale, or certificate of title.

When you have a legal title, you can control or dispose of the property.

Title can be acquired in various ways:

● *Sole ownership:*

This occurs when one person has all the rights of an owner to occupy, lease, sell, or bequeath the property.

● *Tenancy in common:*

This occurs when two or more people jointly hold the title.

For example, in business, there may be several partners who purchase an investment property together.

● *Joint tenancy with rights of survivorship:*

This occurs when two or more people jointly hold the title. It's similar to the above but the difference comes if someone dies.

In this case, the deceased's interest in the property will automatically transfer to the remaining tenants without the need for **probate.**

If only one joint tenant survives, the title becomes sole ownership.

● *Tenancy by the entirety:*

This occurs when a married couple is treated as a single entity, so each individual is entitled to 100 percent of the interest in the property.

2. WHY SHOULD YOU REVIEW A PROPERTY'S TITLE?

The process of reviewing a property's title is known as a title search.

If you're going through the process of buying property right now, you know it's no small step in the process.

This is because it allows you to know (as the potential new owner) that the person selling the property actually has the legal right to do so.

If they do not have the legal right to sell the property, then you could receive questions in the future about the validity of your ownership.

*A title search helps you identify any problems with the chain of title, any debts, liens, judgments, HOA fees, issues with the **legal property descriptions**, etc.*

In short, this process helps you find any issues that could interfere with the transfer of ownership.

Real estate professionals are able to resolve this, but you can't know if you don't check!

Outside of it being good for you, your mortgage lender or insurer may also require that you get a title search.

The results can often impact the issuance of the title insurance policy, and this holds them responsible for paying any financial losses due to defects in a property title.

To play it safe, a title search and report is the best way to go.

3. WHAT ARE THE POSSIBLE PROBLEMS YOU MAY ENCOUNTER?

A preliminary title report can uncover any of the following defects:

 *Errors in public records:*

Any mistakes made in official documents (i.e. **clerical or filing errors**) could impact the validity of the deed.

 *Property liens:*

Banks or other financing companies could place a **lien** on the property for unpaid past debts of prior owners.

 *An illegal deed:*

If the prior deed was created by someone who was not legally entitled to enter into a legal document, the enforceability of that deed could be impacted.

Some examples of people who are not able to create a deed include minors, those not of sound mind, or someone reported as single who is actually married.

 *Heirs:*

Heirs aren't always known at the time of a property owner's death and sometimes they are missing.

It can take time to track them down, and it isn't always possible.

Further, family members may wish to contest the will to establish property rights.

 *Forged documents:*

If property ownership documents are forged and filed in public records, this could obscure the property's rightful owner.

Encumbrances:

If a third party holds claims to all or part of your property, then you limit the use of the property.

Boundary disputes:

Different surveys might show different boundaries of the property, which can lead to boundary disputes.

Undiscovered will:

Sometimes, when someone dies, no will is discovered immediately thereafter.

If their property is sold and a will is discovered after that, then property rights can be jeopardized.

Impersonation:

If your property was once sold by someone who impersonated the property owner, then your legal claim to the property is at risk.

Building code violation:

The discovery of unresolved violations could cloud the title.

4. WHAT IS A TITLE REPORT?

A title report, title commitment or binder, is a document containing the results of the title search.

A title report is required by most mortgage lenders and mortgage insurers before you can move forward with a loan.

It is sometimes called a title commitment because it is also required before a title company will commit to issuing a title insurance policy.

Without the information contained in the title report, you, your lender and your title insurance company won't be able to make an informed decision about whether to move forward with the closing.

Having said this, buyers should keep in mind that a title report is not a guarantee of clear title.

In fact, one of its key purposes is to list all issues that must be cleared before title can be insured.

5. HOW IS A TITLE REPORT PREPARED?

While a property buyer could technically conduct a title search themselves, it is not recommended.

Instead, you should hire an experienced title officer, title company, or attorney who knows what information to review, where to locate documents, and how to interpret the content of those documents.

Also, keep in mind that the buyer will typically commission the completion of the title report.

The process normally starts once the property is in **escrow**.

The title officer you hire will go through the following information:

- Property deeds filed with the county
- County assessment records
- Mortgages
- County land records
- Divorce cases and settlements
- Bankruptcy court records
- Tax lien records
- **Street and sewer assessments**
- **Land surveys**
- Wills
- Court filings
- Tax search

6. WHAT INFORMATION IS INCLUDED IN A TITLE REPORT?

If a title report is so essential, you may wonder what information it contains.

Your title officer will look for information about the property, current ownership, and any possible issues related to ownership.

Here's what you can expect.

● *Schedule A:*

In this section, you'll find information about the scope of the title search, title insurance policies to be issued, the full names of current owners, and the type of land interest.

● *Schedule B*

This section will list the requirements that must be met to receive title insurance as well as any **encumbrances** and **exceptions** that impact the property.

An encumbrance is any claim, interest, lien, or liability attached to the property.

It does not necessarily prevent the transfer of the title.

Although, there are some encumbrances that bind all current and future ownership rights.

For example, **easements**, restrictive covenants conditions and restrictions, water or **mineral rights**, and property setbacks.

Exceptions are items that run with the property and will remain in place after the title transfer.

Thus, even though you may technically have a stamp of clear title from the title company, you will still be subject to these exceptions.

Many of the above encumbrance examples would be listed as title exceptions as well.



Exhibit A

In this section, you'll generally find the legal description of the property.

This may vary from title report to title report as it often depends on how land records are documented in the local jurisdiction.

You may see it in lot and block, metes and bounds, partition plats, or subsections.

7. HOW DO YOU GET A TITLE REPORT FOR A PROPERTY?

To order a title report, you can enlist the services of a title company.

This is one of the best ways to ensure that the proper title **due diligence** is done.

Just make sure you do research on the company beforehand and find someone trustworthy!

8. HOW DOES TITLE WORK TAKE?

Typically, title work will take around **two weeks**; although, this estimate can vary depending on how complicated the chain of title is.

Often, the time it will take depends on the person who is gathering the information.

This is another reason why you want to choose someone who is experienced and trustworthy.

An attorney or title agent can get the information to you in a matter of a few days.

However, if you're inexperienced and doing it for the first time, you may take a lot longer than a professional.

9. HOW MUCH DOES TITLE WORK COST?

A title company will typically charge **between \$75 to \$200** for a title search for a single-family home.

That said, the cost can vary depending on your location, the value of the property, the company you select, etc.

10. WHO PAYS FOR THE TITLE REPORT?

The buyer will often be expected to pay for the title report, and the cost is included in the costs of closing.

Keep in mind that this can sometimes be negotiated, but more often than not, it is the buyer's responsibility.

11. IS THERE ANY WAY TO PREVENT ISSUES FROM COMING UP IN THE TITLE SEARCH?

If you anticipate any issues coming up with your title search, be upfront with your real estate agent and in your listing.

The best real estate agents know to ask sellers questions that will help clean any possible title problems before the property goes on the market.

For instance:

● Are you current with your taxes? If not, has the property gone to a tax sale?

● Do you know if anyone has put a lien on the property?

● Are you current with your **HOA dues**?

These types of questions can help uncover any potential problems with the title that can be fixed early in the sales process.

As a seller, you can also conduct an independent title search prior to listing to ensure you're in the clear.

12. HOW FAR BACK DO TITLE SEARCHES GO?

Title searches check records as far back as state law or local records require.

Some companies can go back further for an extra cost, but rules vary by state.

If you're selling and want to speed up the search, give the title insurance policy from when you bought the property.

In some cases, you can limit the search to the time you've owned the land, but usually only if you bought the policy in the last 15 years.

13. WHAT HAPPENS IF WE DO FIND A PROBLEM WITH THE TITLE?

If you find a problem with the title, you'll likely need to deal with it or you cannot move forward with the sale.

Fortunately, there are problems that come up during the title search that can be remedied relatively quickly.

For instance, mortgage liens or loans against the title can be cleared after they are paid.

On the other hand, there are more complicated issues that can come up, like wills and estates.

These can take a long to settle, which would stall the sale of the lot.

Unless you're willing to wait years, it's unlikely you would be able to move forward with the sale at all.