

LAWYERS LINK



THE ESSENTIAL ROLE OF TITLE COMPANIES

Every real estate transaction, whether it is a first-time home purchase or a large commercial deal, involves many moving parts. One of the most important contributors in this process is the title company.

What Do Title Companies Do?

A title insurance company protects your property rights and helps ensure a real estate transaction closes smoothly, safely, and legally.

Continued on next page



Continued from previous page

What Is Title Insurance?

Title insurance is a one-time purchase insurance policy that protects you from financial loss or legal issues caused by hidden defects in a property's history – things that weren't discovered during the title search. It covers problems such as:

- Unknown heirs claiming ownership
- Forged or incorrect documents
- Previously unpaid taxes or liens
- Recording errors
- Boundary disputes



Why Does It Matter?

Without title insurance you could be held financially responsible for problems or debts connected to previous owners. Title insurance shifts that risk away from you.

How Long Does Coverage Last?

Owner's title insurance lasts for as long as you or your heirs own the property, providing protection against pre-existing title issues for a one-time fee. It only expires when the property is sold or transferred. Lender's title insurance remains active only until the mortgage is paid off or refinanced.

Key Responsibilities of a Title Company

Research the Property's History (Title Search)

A title search reviews public records to trace the property's chain of ownership, showing who has bought and sold it over time. The purpose of the search is to:

- Confirm the seller's legal right to transfer the property, ensuring they truly hold clear ownership.
- Identify any covenants or easements that could affect how the property can be used. These may include rights granted to neighboring properties without road access or access rights needed by utility companies. While valid easements typically can't be removed, buyers should be aware of them before completing a purchase.
- Reveal any liens, tax debts, court judgments, or other legal or financial issues attached to the property through previous owners – problems that could become the buyer's responsibility if not resolved prior to closing.

Provide a Preliminary Title Report

A preliminary title report is a dated formal report that sets out in detail the conditions under which a policy of title insurance would be issued on a particular parcel of land. It provides an early snapshot of the property's title status, listing current ownership, liens, easements, and other encumbrances, and outlines the conditions under which a title insurance policy would be issued.



Continued on next page

Continued from previous page

Issue Title Insurance Policies

Title companies issue two types of policies:

- An owner's policy (that protects you)
- A lenders policy (protects your mortgage lender)

If a claim arises later, such as a missed lien or an unknown heir – your policy offers financial and legal protection. Title insurance is paid only once at closing and covers you for as long as you own the home.

Handle Escrow and Closing Services

Title companies often act as neutral third-party escrow agents in real estate transactions, managing the secure holding and transfer of funds, documents, and instructions between buyers and sellers. They ensure all contractual conditions are met before closing, releasing earnest money, paying off liens, and finalizing the transfer of property title.

Record Official Documents

After closing, they ensure new titles, deeds, and closing documents are filed with the appropriate local government entities.

Protect your investment with confidence. Connect with Lawyers Title to ensure your property transfer is handled with the care and expertise it deserves.

This information does not and is not intended to constitute legal advice; instead, all information is for general information purposes only.



MONTHLY INDUSTRY TERMS

Amortization

Reduction of the principal of a debt in regular, periodic installments.

Condominium

A statutory form of real estate development of separately owned units and jointly owned common elements in a multi-unit project.

Loan-To-Value Ratio

The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

