

UNDERSTANDING

TITLE SEARCHES & DISCLOSE EXCEPTIONS



As a Real Estate Professional looking out for your buyers' best interests, it is imperative that you recommend a title company that has a high level of expertise and financial strength in the title insurance industry. Reputable title companies uncover a myriad of complicated issues, such as unrecorded liens or esoteric easements. The members of an effective transaction team, including the agents, loan officers and title/escrow officers, work diligently to guide their clients during the course of the transaction. For instance, would you advise your clients to accept a title commitment that lists "any and all documents of record" and "any and all easements of record" on the exceptions page, instead of informing your clients what those documents are? That is like asking clients to do their own search to find out what encumbrances affect the property! If you were about to purchase a property with a 30-foot public service easement along one side of your property, would you expect to know about it prior to closing?

Some title companies are in fact providing commitments that do not specifically disclose encumbrances like these. The American Land Title Association (ALTA) developed and recommends its ALTA Best Practices Framework to assist lenders in satisfying their responsibility to manage third party vendors and service providers in the real estate settlement industry. They underlined the importance of an accurate search and solid title product (the commitment and policy). And they also spoke harshly about the growing practice by some title companies of providing "**garbage exceptions, overly broad exceptions without reference to the public records that are voiding coverage.**" National, state, and industry regulations have created certain standards title insurance providers are required to meet.

Did you know there are still title companies operating that do not meet those standards?

Some title companies exist only to capture the referral fee from the transaction; others hope to sell policies and pocket the premiums from the transaction rather than perform a thorough search and examination of the property. Given that 1 out of 4 transactions has a cloud on title at the time of the commitment, it's imperative that homebuyers work with title companies who take the necessary steps to identify, disclose, and resolve all issues prior to closing.

As a Real Estate Professional, what can you do for your clients ?

Well, you can make sure that the title company you or your clients select does a detailed examination for every transaction, which includes ***providing the buyer with actual recorded documents for each exception***, as called for in the contract.

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