



WHAT IS THE ROLE OF A TITLE INSURANCE AGENCY

Title companies play several key roles in common real estate transactions. Title companies generally act as the combined agent of the insurance company, the buyer, the seller, and any other parties related to a real estate transaction, such as mortgage lenders. The title company reviews title, issues insurance policies, facilitates closings, and files and records paperwork.

Title Review

Title companies have sophisticated real estate title search and review departments. These departments review the public records relating to real estate, in order to inform all interested parties of the status and condition of title to the subject property. Title companies generally provide this information to each of the parties in the form of a preliminary title report, or commitment for title insurance. Title companies also provide title research information related to foreclosures and other types of legal action involving real property.

Closing Agent

Title companies are often the closing agents for real estate transactions. This means the title company is an agent of each party to the transaction. In its role as agent, the title company obtains signatures on all of the closing documents, and the title company also receives and distributes payments related to the conveyance transaction. After the parties have signed all the documents, the title company will record documents that need to be recorded, such as deeds and mortgages, in the local county land records office.

Escrow Officer

Title companies also commonly act as escrow officers in connection with real estate transactions. An escrow officer holds documents or money as a part of the transaction and according to the instructions of the parties. For example, the purchaser of real estate will give the title company the money necessary to pay the purchase price, while

the seller will give the title company a signed deed to the property. The title company, acting as escrow officer, only releases the deed and the money according to the written instructions of the buyer and seller.

Insurance Issuer

Title companies issue policies of title insurance in behalf of title insurance companies. In most cases, the title company that issues the policy is not actually the insurance company. Instead, the title company acts as an independent agent of the insurance company and simply receives a commission for issuing the title policy. The actual premium goes to the insurance company, and the insurance company bears the risk of any loss under the policy. Title Company merely facilitates the paperwork for issuing the insurance policy.

It is our job to coordinate the interests of all parties to a real estate transaction, including the buyers, sellers, mortgage lender and real estate agents. We make sure that all requirements for settlement are fully satisfied. After the Sales Contract is ratified, it is sent to us to review for accuracy and completeness and to begin the title process, which involves the following steps:

- 1) Title abstract:** We research the title to the property through a title abstract, which provides a history of the property and its ownership. It is our job to examine the title and clear any liens or claims on the property so that the new buyer receives clear and marketable title to their new property.
- 2) Survey:** Most lenders require a survey, or house location drawing of the property. We will order a survey, with the buyer's authorization, and review for any potential problems. Should any issues arise on the survey, we will notify the real estate agent, lender and the new buyer immediately. The survey will be given to the buyer at settlement.
- 3) Property taxes:** We verify with the local or state taxing authority that the property taxes have been paid. Similarly, we check with the Water Company and Homeowners Association to confirm that all payments are current. On the HUD-1 Settlement statement, we will prorate the amounts based on the billing period and the settlement date.
- 4) Title insurance policy:** We prepare the insurance commitment for the lender's title insurance policy and issue both owner's and lender's coverage. There are two types of **Title Insurance: Lender's**, which is required by the mortgage company, and protects the lender's investment in the property; and **Owner's**, which may be purchased at settlement for the benefit of the new owner. It is strongly recommended that all buyers receive an owner's title insurance policy which protects them against any unforeseen claims, hidden risks, or fraud against the property. The insurance policy provides protection from financial loss as well as payment of legal costs necessary to clear such claims.
- 5) Loan documents for closing:** We also coordinate with the mortgage lender to receive

the loan documents for closing. Once received in our office, we review all forms and comply with the lender requirements for closing. With these documents, we are then able to complete the **HUD-1 Settlement Statement**. This settlement statement is one of the most important documents to sign because it details all of the costs associated with the purchase and sale of the property. We also prepare the deed and other documents necessary to comply with state and federal laws.

6) Closing: At closing, all documents are explained to all parties prior to signing. Settlement lasts approximately one hour. After closing, we disburse all the monies collected at settlement and pay vendors such as the Termite Company and surveyor. We also pay off and release the existing mortgages on the property and prepare the loan documents to be returned to the lender.

7) Documents recorded in courthouse: It is our responsibility to make sure all documents are properly recorded in the courthouse, such as the new deed and mortgage. We also ascertain the release of any existing liens on the property.