

# The Role of a Title Company

## Choosing a Title Company:

Buying or selling real estate is a significant event. It normally requires the services of many professionals, including a title company. A title company is an important part of your real estate “team” and they play a key role in looking out for your best interests. At the time a contract is signed, a buyer has the right to select a title company of their choice. This is an important decision and it deserves careful consideration.

## What does a title company actually do?

The title company plays two roles.

A title company is an **insurance agent**, selling title insurance to protect purchasers against claims that can be made against the title (ownership) to the property. Problems with the title can limit your use, ownership or enjoyment of the property as well as potentially cause you significant financial loss. Approximately 1 in 5 title searches reveal a title problem. Some examples of potential title issues that may or may not be revealed during a title search are: mechanics liens, unreleased trusts, tax liens, missing heirs, frauds, and forgeries. Title professionals work to identify and resolve these issues before you go to closing. This is a labor intensive exercise that requires the hard work of experienced professionals. Title insurance is unique in that it emphasizes retrospective risk elimination. This means that title professionals are looking back in time to research and examine the history of title and working to eliminate any potential risk to your ownership.

Your title insurance policy will protect you if a covered issue arises and was not found during the initial search.

Most people take care to choose an experienced insurance agent when purchasing life, auto or home owners insurance. Your title insurance agent is no different. For most people, their home is their largest asset. Choose a title company that is staffed with experienced experts who can guide you through the choices that you have pertaining to title insurance so that your asset is properly protected. They play an integral role in managing the closing process and representing all the parties to the contract. This work requires significant staffing and a keen attention to detail.

A title company is also your **closing or settlement agent**. They play an important role in managing the closing process as well as conducting the closing itself. These professionals ensure that the transaction is carried out in compliance with the terms of the contract and the instructions of all involved. Some examples include paying the seller their proceeds, ordering payoff numbers from the existing lender, obtaining money from the buyer and the new lender, ordering surveys, collecting necessary documents from pest companies or inspectors, preparing the settlement statement and closing disclosure, ordering deeds or releases, collecting recording fees and taxes for the local governments and filing the necessary paperwork at the courthouse.

The title company will also conduct the closing. Real estate transactions can be tenuous, challenging and sometimes emotional. It is important to have a settlement agent who understands this and can handle the sometimes tricky situations that present themselves leading up to or during a closing. It is not unusual for a settlement agent to have to assist in resolving issues or disputes that arise. This can sometimes mean the difference between closing your transaction or walking away from the table unsuccessful.

The settlement agent is also tasked with reviewing and explaining the documentation that will be signed at closing. A good settlement agent will be familiar with all sorts of transactions, willing and able to explain the key factors in a language you can understand, and will have good working relationships with local lenders and service providers in case issues or questions come up.

### **Some things to consider when making your choice:**

***Does the title company have an in house attorney?*** No two real estate transactions are alike and one in five transactions will have some sort of title problem. Your title company should be able to address title problems accurately and efficiently so that you are protected and there are no delays to your transaction. Having an in house attorney is a huge asset.

**Stability and Reputation of the Company:** The company will be responsible for handling the money in your transaction so making sure the company enjoys a good reputation and subscribes to industry best practices, including escrow controls is very important. You'll also want assurance that the title policy is underwritten by a financially stable company able to pay potential claims in the future. Check the company's website for history, experience and involvement with the local industry.

**Staffing and Service:** Proactive and timely communication, attention to detail and experience are crucial when processing real estate transactions. Choose a company that has invested in its professionals and technology as it can be the difference between a smooth transaction and a "nightmare" transaction.

***A word about fees:*** Fees that are charged for title and settlement services can vary from company to company. That said, the majority of companies will charge fees that are within a couple hundred dollars of one another. So, while fees should be evaluated, cheaper fees are not necessarily better. In fact, when dealing with what is most likely your largest asset, the true measure of a title company is the service and expertise that they deliver.