

How to Do Your Own Title Search

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Title search should be an essential step before buying or taking over the title to a real estate property. As an investor, you need to know what you are up against on the title, if you have “clear title” or if there are “clouds” that you have to deal with, because most likely you will not be able to resell the property with title issues and

you might end up being responsible for liens and judgements attached to the property, not the original owner.



What is Clear Title

The first thing you should be concerned about is that the person (or persons) you are buying the property from is (or are) the owner of record. Events happen where the original property transfer was not recorded correctly, people inherited property, but the proper paperwork was never filed, or the owner’s name might show up on the tax bill and the actual deed, but *somewhere in the “chain of title”* (as recorded in the county’s historical documentation of the property) the property wasn’t transferred correctly from seller to the buyer.

Another key reason you’ll want to do a title search is to **make sure there aren’t any liens or mortgages on the property**. If you transfer ownership of a property and you don’t perform “due diligence” via a title search before closing (i.e. transfer of ownership

via Quit Claim Deed, which most of the times is done without closing at an actual title company or attorney's office,) any issues on title will become your responsibility.

Title Insurance

What is title insurance and what is its significance to a real estate investor? Title insurance is predominantly found in the United States (but it also exists in other countries, such as Canada, Australia, the United Kingdom, Mexico, New Zealand, Japan, China, Korea and throughout Europe,) and it spurred from an alleged deficiency of the US land records laws. If you have to obtain a mortgage, it is most likely required by the lender, and it is an option when purchasing a property for cash, however it is highly recommended.



Real estate buyers usually have two types of title insurance policies:

Title Insurance for Owner's Policy - Buyers purchasing properties for cash often want title insurance [an owner policy] to protect them from unforeseen claims and disputes. An Owner's Policy basically provides assurance that your title company will stand behind you.

Title Insurance for Lender's Policy – Lenders require title insurance [a loan policy] to protect their interest in the collateral of loans secured by real estate. The Lender's Policy is based on the dollar amount of your loan. It does not protect the buyer.

Since a lender's policy only protects the lender against loss in any occurrence of a title search, it gives peace of mind to the buyer – it is important to remember the fact that title searches are not 100% reliable, and so the need for insurance. It is not uncommon for old issues to show up on title, even after the property has changed ownership a couple of times, and it is much easier and cost effective to rely on a title policy to “clear the title” instead of incurring legal fees and uncertainties.

Title insurance is issued only after a complete title search has been done. However a real estate investor will usually look at a lot of properties, write several contracts, and not all of them will make it to closing. It can get very expensive to run a title search on every single property - from \$125 for a “Letter Report” to \$400 for a full title search.

Title Research – The Cheap Way

There is a way you can do yourself a preliminary title search, although it does take more time and effort on your part.



As a wholesaler, once a month, I compile a spreadsheet of properties I have under contract. This spreadsheet has several columns labeled:

- Property Address;
- Recorder of Deeds;
- Collector of Revenue;
- Tax Assessor's Office;
- Building Inspection Office;
- Forestry Department;
- Sewer Service Department;
- Comptroller;
- Clerk's Office;
- HOA;
- Miscellaneous.

Some of these departments might be grouped together in your jurisdiction. You have to research how your jurisdiction handles these sectors. However here is what they will record about each property respectively:

- Recorder of Deeds
 - Liens: Mortgages, Federal & State Income Taxes Liens, Sewer, Water, Judgments, HOA (Homeowner's Association,) other property documents history
- Collector of Revenue
 - Back Property Taxes and Tax Liens
- Tax Assessor's Office

- Legal property ownership, legal description, parcel/plot#
- Building Inspections Office
 - Building violations and inspections
- Forestry Department
 - Cutting Grass Fees and Board Up
- Sewer Service Department
 - Sewer service and bills/liens
- Comptroller
 - City liens - unpaid taxes and fees
- Clerk's Office
 - Mechanic Liens (filed by contractors for unpaid work)
- HOA
 - If the property is in a subdivision or a condo development, there are probably Homeowner's Association Dues

Once I compile the list of properties in a spreadsheet, I (or my assistant) visit the City Hall and courthouse (some of these records can be accessed online, depending on your county) and perform the research or due diligence.

This preliminary work can save you thousand of dollars in title search fees and give you a preliminary idea if any of the properties in question need further evaluation. In any case, only after I have a fully executed contract with an end buyer in place (in case of a wholesale or flip deal,) I order a full title search and commitment policy.

Another way to handle a title search without spending too much, is to order an "abstract of title" from a local title company or a professional abstractor (these are usually the

people that the title company hires anyway). Abstractors can be found a few different ways. You can start with a Google search and see where it gets you (google: County Name, State Name, "Title Search"). You can also call your county Recorder of Deeds and ask if they have any recommendations on who can pull a title search for you. I've found that most Recorder of Deeds offices have *all kinds of connections* and can help you find different abstractors at a very reasonable price.

The price for an abstract of title will vary based on who you talk to, and sometimes you'll need to get prices from a few different sources before you decide. In my experience, the cost is usually somewhere in the vicinity of \$75 – \$125 for this service per property.

It will usually take the abstractor a couple of days (sometimes longer) to pull together a full list of the historical records on that property. Once you get the records back from them, it just a matter of examining each individual deed on record AND making sure there are no mortgages or liens hidden throughout.

When you get your abstract of title or you do the research yourself, as outlined previously, the order of documents is typically laid out chronologically, from the most recent to the oldest record.

Suggestion - the first time you visit the different offices and departments of City Hall, ask for help. Most of the times, the clerks are trained and expected to help visitors as part of public service, otherwise you are entitled to complain at the local Citizen's Complaints Bureau.



In conclusion ...

Admittedly, doing your own title search will open you up to some risk. There is always the possibility that you'll miss some crucial piece of information along the way.

Personally I perform my own title search initially to see if a property is worth pursuing (i.e. a pre-foreclosure, tax auction sale, etc.) then I go forward with a contract, however before taking title I do hire a title company to perform a full-blown title search and issue an owner's title policy.

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