

# LAWYERS LINK



## WHAT YOU SHOULD KNOW ABOUT A PROPERTY TITLE SEARCH

*Buying a home is an exciting life event that involves a complex process. A property title search is a critical step in the home-buying process, and is essential in protecting your home purchase.*

### **First, what is a property title?**

A property title acts as legal certification that outlines the ownership details of a property and defines the rights of the owner. When purchasing a home, the transfer of the title from the seller to the buyer is required for the home to officially change ownership.

*Continued on next page*

*Continued from previous page*

### What is a property title search?

A property title search examines public records on the property to confirm the property's rightful legal owner and reveal if there are any claims, liens, or issues on the property that could affect the purchase or result in another person or entity asserting they have a stake in the home. The title search is also the first step in determining a title company's ability to insure a transaction.

Multiple sources are searched, including deeds, county land records, tax liens on the federal or state level, divorce cases, bankruptcy court records, and other financial judgments against an owner that could potentially attach to a property.

The resulting report is composed of documents containing the key legal details and history of a piece of property found during the title search. It determines whether or not the property is free of liens and pending lawsuits, and if title ownership is accurately represented by the seller.

A "clear title" is a property title that verifies the ownership, and is free from liens or additional issues that could jeopardize ownership or become an issue after ownership is transferred.

Once the title search comes back clear, buyers and sellers can move forward with the transaction, and a title company can provide a title insurance policy. Title insurance provides protection to the buyer and lender in the event liens or encumbrances are discovered after closing.

### Why are property title searches important?

**For sellers:** To sell your property, you must have what is called a "marketable title". This term basically means that there are no defects that might cause a lawsuit or someone to challenge your right to own the property.

**For buyers:** Property title searches are a crucial step in the home-buying process. Besides determining who truly owns a property, they also ensure all existing liens, loans, child support, and judgments are reported—and dealt with—prior to the close of escrow. If liens or judgments aren't discovered prior to closing, the buyer can face messy and expensive issues down the road.

For example, if the seller has a \$5,000 judgment against him and the property was purchased without the judgment being paid off, it creates a cloud on title which under certain circumstances may have to be settled by the new owner.

**For more information about the title search process or any title issue, contact your Sales Executive at Lawyers Title.**

*This information is deemed reliable but not guaranteed and is for informational purposes only.*



## MONTHLY INDUSTRY TERMS

### Discount Point

An additional charge made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent.

### Equity

The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

### Impact Fee

An impact fee is a fee that is imposed by a local government within the United States on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development.