

GETTING CLEAR TITLE & CLOSING THE TRANSACTION

Clear Title

Clear line of ownership to make sure seller is legally able to sell the property.

No liens on property that can't be satisfied out of sales proceeds.

No encumbrances on property (e.g., City of Houston Dangerous Building Order).

Picking a Title Company

Buyers normally can determine which title company and branch will be used, but some sellers won't sell unless the title company they choose is used.

Escrow officer/closer and his or her assistant should have experience with real estate investors.

Find out how long it takes to get a title commitment.

Title insurance premiums are fixed by the State of Texas.

Title company fees are negotiable

Make sure they will do necessary curative work

Ask other real estate investors to recommend a title company and escrow officer, and which title companies to stay away from.

Opening Title with the Title Company

Take earnest money contract and deposit and addresses of buyer & seller to escrow officer.

Tell escrow officer if contract says cash purchase but you have private lender financing. If he or she objects, contact their legal department for a favorable answer, or go to another title company.

Tell escrow officer if the actual buyer(s) will be different than shown on the earnest money contract so an assignment form can be prepared.

Order a Title Commitment.

What is a Title Commitment

The title company's promise they will issue a Title Insurance Policy subject to the "exceptions" contained in Schedule B., and subject to meeting the "conditions" of Schedule C of the title commitment.

What is Title Insurance?

The title insurance underwriter agrees to defend the title in court or to make good any loss suffered because of the title being defective as of the date of the policy (up to the policy amount).

Types of Title Policies

Owner Title Policy insures that at the date the deed was filed of record, vesting title in the insured, the title was free of defects and there were no liens, except those shown in the policy.

Mortgagee Title Policy insures the lender that it has a valid lien on the property.

The Real Reason for Title Insurance – Hidden Title Defects

Forgeries

Frauds

False Representations

Lost Wills

Mistakes at Law

Unreleased liens

Mistakes in Description

Undisclosed Heirs

Clerical Mistakes

Illegal Trusts

Missing Assignments

Defective Acknowledgments

Closing the Purchase

Make sure you have arranged for hazard insurance, and flood and/or windstorm insurance if applicable.

Make sure all buyers attend closing.

Make sure sellers know the closing date, time, and location. (In some cases you need to bring the sellers to closing).

Bring cashier's check for any amount you owe.

All buyers and sellers need drivers licenses or other identification acceptable to the title company.

Review HUD-1 Closing Document and make sure you understand the numbers on it.

Review all other closing documents, and ask the escrow officer questions about anything you don't understand.

Sign all the paper work.