

ALTA NEWS

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**AMERICAN
LAND TITLE
ASSOCIATION**



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One-Third of All Residential Real Estate Transactions Have Title Issues, According to Survey

Washington, DC— According to a 2005 member survey by the American Land Title Association (ALTA), title problems were found in 36 percent of all residential real estate transactions (new and resale homes, and refinances), up from 25 percent in 2000. The “Abstracter and Title Agent Operations Survey” tracks changes in the title industry, including the number of orders received and percentage of title issues discovered and repaired prior to closing or escrow.

According to Rande Yeager, President of ALTA, “The most frequent curative action taken last year was obtaining releases and/or obtaining pay-offs for discovered liens, such as prior or existing first or second mortgages, unpaid child and spousal support, outstanding taxes, and other judgments against the property.”

The next most common curative action, according to Yeager, was obtaining releases for assignment on deeds of trust/and or mortgages, followed closely by recording errors of names, addresses, or legal descriptions of the property.

“The booming real estate market over the last several years has increased the number of transactions significantly, which means more title problems are found,” said Yeager. “This clearly demonstrates the importance of a professional title search in all real estate transactions, whether purchasing a new home or refinancing an existing mortgage.”

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According to ALTA, homebuyers and regulators alike have recently questioned the value and cost of title insurance. A Loan Policy of title insurance is required by lenders prior to the issuance of a loan, even on a refinance, to assure that the title is clear. Before a policy is issued, an extensive search is conducted to locate problems so they can be rectified and the transfer of property and/or loan can proceed.

Unlike other forms of insurance that focus on possible future events and charge an annual premium, title insurance is purchased for a one-time fee at closing or escrow (or loan closing) and protects against loss arising from title hazards and defects that already exist. Title companies often search back 50 years through manual records to find and clear up problems, usually without involving the homebuyer or borrower. So while title insurers pay fewer claims than most other insurers, their upfront costs are substantially higher.

ALTA also advises homebuyers to purchase an Owner's Policy of title insurance in addition to their Loan Policy. In some states this coverage is automatic, but in most states the homeowner should request it at the time of closing or escrow. Unlike a Loan Policy, an Owner's Policy protects the homeowner for as long as they (or their heirs) have an interest in the property, so there is no need to repurchase this coverage on a refinance.

To order a full copy of the 2005 Abstracter and Title Agent Operations Survey, visit the ALTA Web site at www.alta.org, under "Industry Research."

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ABOUT ALTA

The American Land Title Association represents title insurance companies and their agencies nationwide on a variety of industry and legislative issues. Members of the Association search and insure land titles to protect real estate investors including homebuyers and mortgage lenders.