Chapter 7: Title Examination and the Closing Process

Title examination – the process of verifying the ownership rights being offered by the seller of a property
- marketable title – title that is free and clear of all past, present, or future claims that would cause a reasonable purchaser to reject it
- insurable title – title that a reputable title insurance company is willing to insure
- title perfect of record – title for which public records indicate no defects whatsoever

Title search – a detailed examination of all public records that reveals the ownership history of a property
- recording requirement – all states provide a system for recording documents that affects title to real estate
- grantor and grantee indexes – names of all persons or entities who have transferred or received interests in real estate
- tax records search – reveals whether the property taxes for a property are delinquent
- lien search – reveals whether the property has an liens related to judgments or other obligations

Title abstract – a written compilation of the chain of title for a given parcel of real estate, used by attorneys as the basis for a title opinion

Title Opinion – a statement from a lawyer that summarizes the findings disclosed by a search through all public documents that may relate to the title of a property

Title insurance – a policy that insures the title received by a grantee against any deficiencies that may have been in existence at the time title was transferred.
- paid for in full at the time the policy is issued
- not transferable
- protects only against past events that were in existence, but undiscovered at the time the policy was issued

Torrens system – a system of land registration in which the property owner is given a title certificate that proves ownership. Rather than having to perform a records search each time a property is sold, the Torrens certificate holder simply transfer the certificate to the new owner.

Title closing – the final step in the process of transferring title from grantor to grantee

Buyer’s responsibilities before closing
- obtaining financing
- examining the title evidence
- having the property surveyed
- obtaining property insurance
- having the property inspected
Seller’s responsibilities before closing
- prepare the deed
- remove encumbrances
- cooperate with inspectors

Costs generally paid by the buyer at the closing
- loan origination fee
- loan discount points
- appraisal fee
- credit report fee
- lender’s inspection fee
- mortgage insurance premium
- attorney fees
- hazard insurance premium
- recording fees for the mortgage

Costs generally paid by the seller at the closing
- real estate brokerage commission
- attorney fees
- documentary stamp taxes, where required
- recording fees for the satisfaction of the seller’s mortgage

HUD Uniform Settlement Statement (Figure 7.1, pages 143-144)
- The settlement statement shown relates to the transaction between Williams and Howell.
- The transaction amount is $189,000.
- The seller has an outstanding loan for $113,245 that must be repaid.
- The buyer is borrowing $150,000 from his lender.
- Both buyer and seller must pay certain closing costs.
- After consideration of these costs and the prorated taxes, the buyer must bring $37,243.28 to the closing and the seller will leave the closing with $58,548.96.