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Title Companies Arriving Early to the Deal Process

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Over the past five-to-seven years, the real estate community has learned many lessons that have made the industry smarter about how time and money are spent.

One trend is that both buyers and sellers involve title companies much earlier in the deal process than they once did.

Because time is money, advance title research at the start of a project can reduce time spent on a non-viable project and costs as time are reduced as well.

Here are three scenarios when buyers and sellers are involving title agencies earlier in real estate transactions in order to save money:

Potential Issues: If sellers can identify any title problems prior to the marketing of the property, they strategize on how to handle potential issues and present the solutions to a prospective buyer so that the closing can happen seamlessly and quickly maximizing profits and their potential opportunities to sell.

This is especially advantageous with properties acquired through foreclosure, mortgage purchases, note sales and deeds in lieu of foreclosures.

Determine the Costs of Sale: Often buyers and sellers will contact title companies prior to contract signing to determine their costs in connection with the purchase/sale.

In states like New York, transfer taxes can be a sizable portion of the closing costs. There may be a way to structure the transaction to lessen the burden of these transfer taxes.

In addition, if a seller is contemplating a small margin on a sale, they may want to know all the closing costs so they can ascertain the financial benefits of the sale.

This also can occur with violation costs that may not be matters of title, but are provided through title and can be very costly.

Furthermore, many states have mortgage taxes and, depending on the need for available financing, there also may be a way to structure the loan to save on mortgage taxes.

To do so requires the knowledge of who holds the existing mortgage and the outstanding principal balance of the mortgage. This information can be confirmed with a title company.

Ascertain the Use of the Property: Buyers contact title companies to determine any restrictions on developing specific properties.

If a buyer is eyeing a piece of property for a particular use, the buyer must order a title search in order to determine the use available for the building.

For instance, a new water taxi route has been established across the East River. There are multiple properties available for residential development, but there is a large disparity in price between the available properties.

Often the broker will know why the differences in price exist, but title searches can be ordered to confirm the broker's statements.

The title searches will determine if there are issues with restricted uses in filed covenants and restrictions, issues with the current certificates of occupancy and the allowed uses in the neighborhood or landmark covenants

that do not allow for the uses that would make the property financially viable for the developer.